

RATLOU LOCAL MUNICIPALITY



DRAFT ANNUAL REPORT 2011/12

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CHAPTER 1: INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY

COMPONENT A: MAYOR'S FOREWORD

Councillor Phenyó Victor Mance
Mayor

COMPONENT B: EXECUTIVE SUMMARY

1.1. Municipal Manager's Statement

Glen Lekomanyane
Municipal Manager

1.2. Municipal Functions, Population and Environmental Overview

1.2.1. Geographic Profile

Ratlou Local Municipality is one of the local municipalities under the jurisdiction of Ngaka Modiri Molema District Municipality in the North-West Province. In 2007 the municipality had a total population of about 98 102 people, 90% of which are Africans, followed by coloureds and whites. The proportion of Asians is very insignificant.

It is divided into 14 wards and has 140 ward committee members. It is predominantly rural in character and agriculture forms the dominant economic activity.

The following are some of the main villages making up the municipality:

Setlagole

Madibogo

Kraaipan

Madibogopan

Disaneg

Mareetsane

Makgobistat

Tshidilamolomo

Logageng

The municipality is accessible from all points of the country through national roads, and from the north of the continent through the Makgobistadt border post.

Owing to its nature as a rural municipality, Ratlou does not have large economic centres within its jurisdiction. Most government services are conducted from various centres located mainly in Setlagole. The main economic activity also takes place at Setlagole Shopping Complex, a property owned by Ratlou Local Municipality.

Table 1: Source:- 2001 National Census

Statistical Information	Total
Geography:	4 531.62
Geographical area in square kilometres	
Note: (Source: 2001 National Census)	
Demography:	97 804
Total population	
Note (Source: 2001 National Census)	
Indigent Households	14246
Note: (Source: 2001 National Census)	
Total number of voters	46574

Aged breakdown:	
- 65 years and over	6754
- between 35 and 64 years	22302
- between 15 and 34 years	33761
- 14 years and under	41507
<i>Note: (Source: 2001 National Census)</i>	
Monthly Household income:	
- over R3,499 per month	80
- between R2,500 and R3,499 per month	136
- between R1,100 and R2,499 per month	1504
- under R1,100 per month	14246
<i>Note: Indicate source of information (Source: 2001 National Census)</i>	

1.2.2. Demographic Profile

The apartheid system including the distribution of socio-economic opportunities and amenities in South Africa was based on race. It is on the basis of this consideration that the study wanted to examine the population or racial group distribution of the people in the RLM.

The 2007 community census indicate that the population of Ratlou Local Municipality to be 98 102, which a slight drop from the 2001 census which reported the population as 104 324.

On the other hand there was a recorded growth in number of households in the municipality between 2001 and 2007 from 22 509 to 23 591.

The distribution of population by race in the municipality is depicted in the table 2 below:

Population Group	1996	2001	2007
	%	%	%
African	99.2	99	98.2
Coloured	0.4	0.7	1
Asian	0	0	0.2
White	0.4	0.3	0.6
Total	100	100	100
<i>Table 2: Population distribution by race (Source: Statistics SA, 2007)</i>			

The table above show that the majority (over 90%) of the people in the RLM are Africans, followed by coloureds and whites. The proportion of Asians is very insignificant.

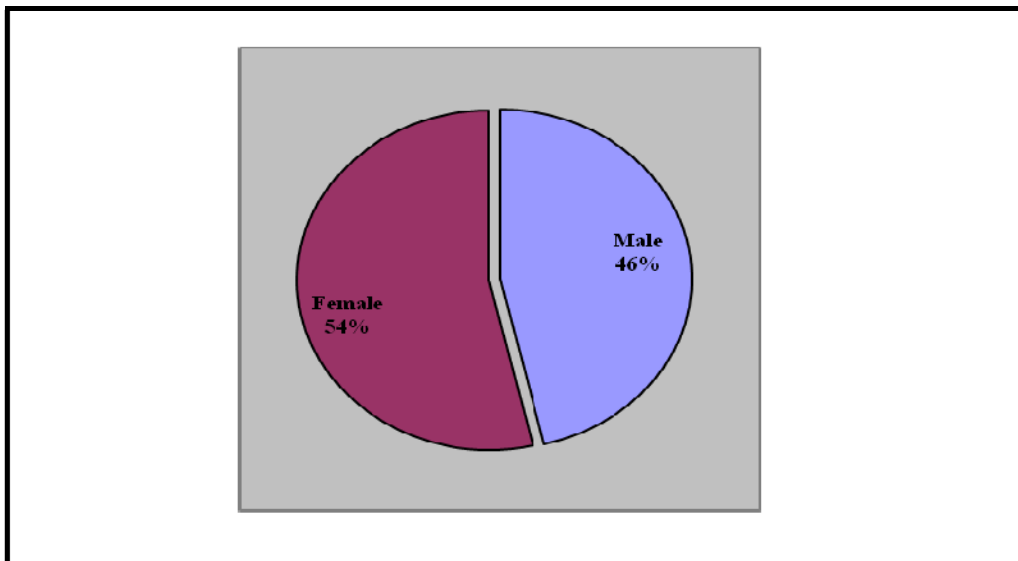


Figure 2: Gender Distribution (Source: Statistics SA, 2007)

On the issue of gender distribution Figure 2 above shows that in 2007 the majority (54%) of the population in RLM were females. This phenomenon could be attributed to labour migration, i.e. more males migrate to take up job opportunities in other spatial systems such as the metropolitan areas and adjacent District Municipalities.

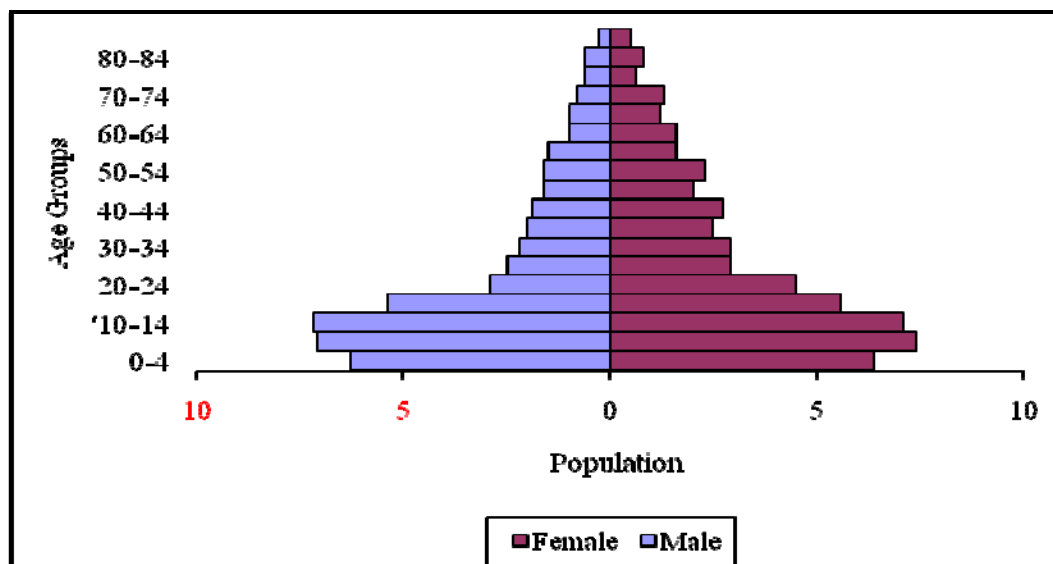


Figure 3: Gender Distribution (source: Statistics SA, 2007)

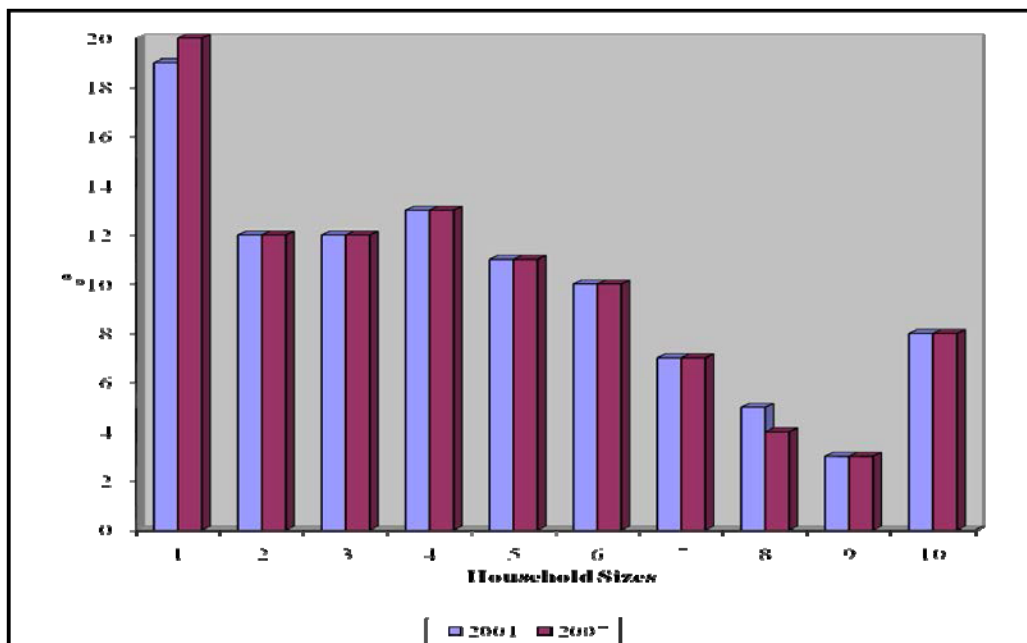
The population pyramids for RLM show a large percentage of children and a sharp decline in the percentage of young adults, particularly among young males. The percentage of older people is relatively large. Probably this is a reflection that RLM was losing young adults to other areas in the province and elsewhere in search of employment opportunities. Young children were left behind to be cared for by elderly relatives (grandparents).

1.2.3. Household Profile

The household is the basic unit of analysis in many social, microeconomic and government models. The term refers to all individuals who live in the same dwelling. Like in other local municipalities in the country, the basic unit of the RLM is the household in a community. The table below indicate that in 2007 more than 80% of households in the RLM were classified as formal households.

Municipality	Formal		Informal	
	Census 2001	CS 2007	Census 2001	CS 2007
DC38: Central	82,5	81,0	10,5	9,7
NW381: Ratlou Local Municipality	85,5	86,6	5,2	7,2

Table 3 Types of Dwellings (Source: Statistics SA, 2007)



The figure above shows that the majority (more than 50%) of the households in the RLM had 4 or more members in 2001 and 2007. This is a big size for households in an area with limited employment opportunities.

1.2.4. Education Profile

Limited access to employment is sometimes attributed to low levels of education among the people in a particular locality.

Educational Level	1996	2001	2007
	%	%	%
No Formal Schooling	41	40	36
Some Primary	26	26	30
Complete Primary	7	6	5
Secondary	20	19	20
Grade 12	5	7	7
Tertiary	1	2	2
Total	100	100	100
<i>Table 4 Educational Levels (Source: Statistics SA, 2007)</i>			

The table above shows the educational levels of the population of Ratlou Local Municipality. It shows a decrease in the percentage of people in the RLM with no formal education but an increase in the percentages of the people who have completed primary level of education. The percentage of the people with tertiary education still remained very low (2%).

One of the major problems facing the RLM is the limited number of job opportunities created in the main economic sectors i.e. agriculture and mining.

1.2.5. Socio-Economic Profile

The table below shows the percentage distribution of the population in the RLM in terms of status of the labour force:

Labour Force	1996	2001	2007
	%	%	%
Employed	10	11	12
Unemployed	22	19	16
Non-Economically Active	68	70	72
Total	100	100	100
<i>Table 5: labour force distribution (Source Statistics SA, 2007)</i>			

The table above shows a decrease in the percentage of the unemployed but increase in the percentage of people who are non-economically active.

Figure 5 below presents the percentage distribution of population in RLM by industrial group:

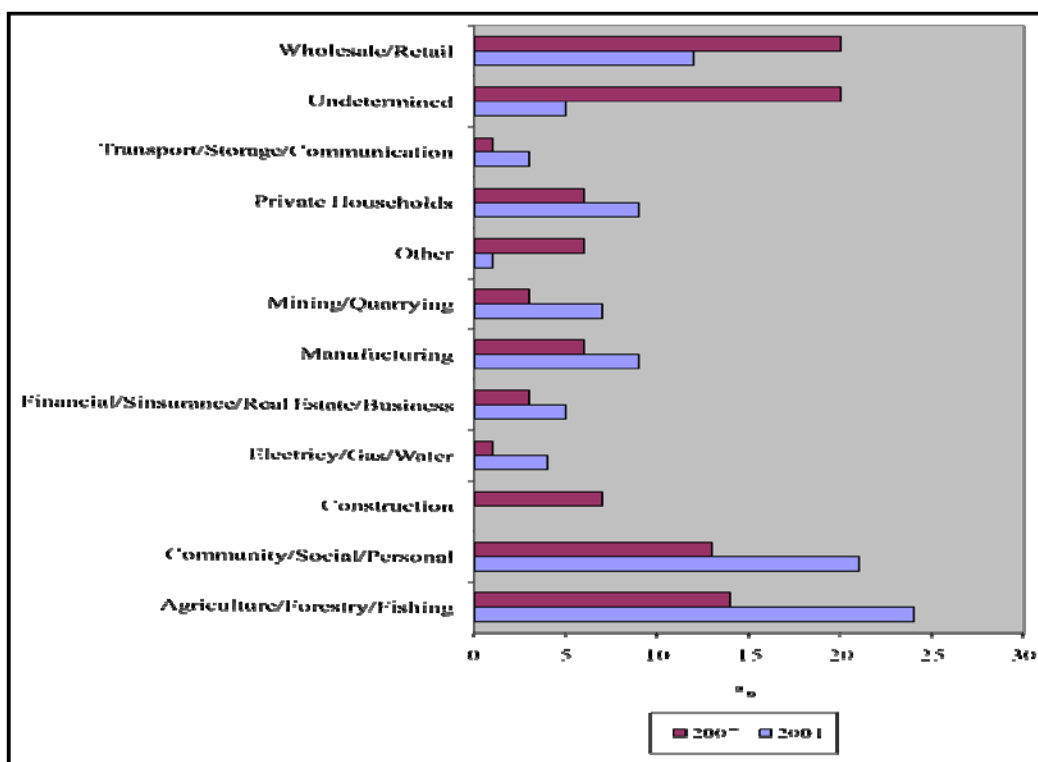


Figure 5: population distribution by industries (Source: Statistic SA, 2007)

The Figure above shows that Agriculture/Forestry/Fishing, Community/Social/Personal and whole/retail sectors were the major industrial groups in the RLM.

Occupational Groups	1996	2001	2007
	%	%	%
Clerks	4	6	6
Craft/Trade	15	8	4
Elementary Jobs	35	39	28
Legislators/Senior Officials	3	2	2
Not Economically classified	3	4	4
Plant/Machine Operator	7	9	9
Professionals	14	4	4
Service Workers	9	6	2
Agricultural/Fishery	5	8	7
Technicians	4	10	15
Undetermined	1	4	19
Total	100	100	100

Table 6 population distribution by Occupation (Source: statistics SA, 2007)

Table 6 above indicates that the occupational structure in the RLM in 1996, 2001 and 2007 was dominated by the elementary occupations (35 % in 1996; 39% in 2001; and 28% in 2007).

1.3. SERVICE DELIVERY OVERVIEW

1.3.1. Transport

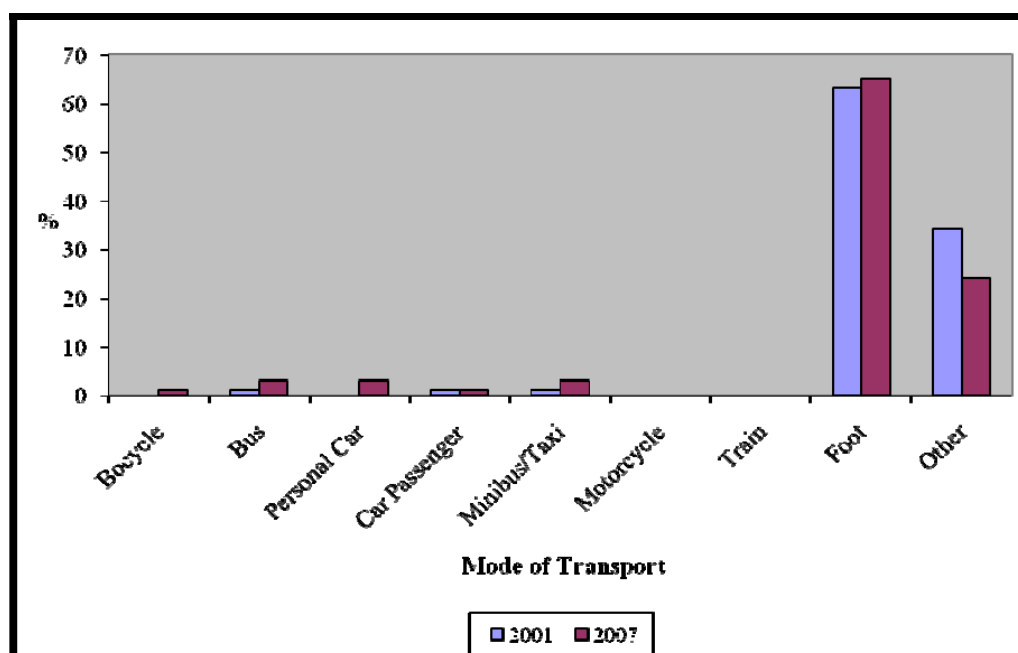


Figure 7: Transport mode

Figure 7 above shows that poor and inadequate transport is a major problem in the RLM. More than 60% of the population travel on foot as the major mode of transport.

1.3.2. Telephone Services

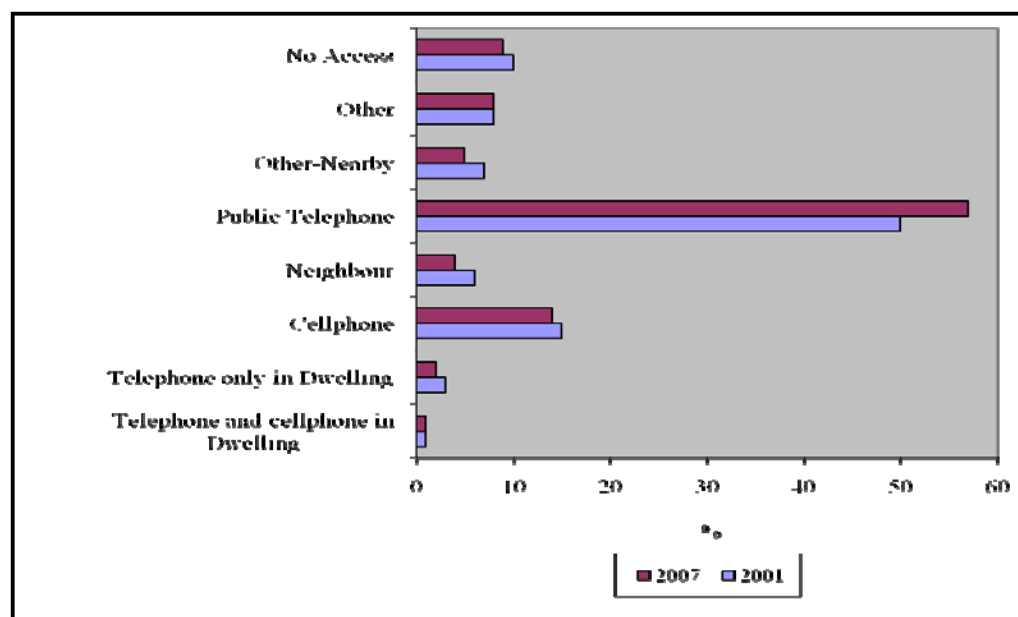


Figure 8: Telephone Services

Figure 8 above shows that more than 50% of the households in RLM had access to a public telephone including those nearby or not nearby. Only 1% of the households had telephone or cell phone in their dwellings.

1.3.3. Energy

Information from focus group discussions and individual interviews with stakeholders revealed that although energy source has been a major problem for most households in the RLM. Statistics South Africa (2007) shows that the situation has improved. For instance, in 1996 more than 80% of the households in the RLM were using candles for lighting, the figure decreased to 22% in 2007. The number of households using electricity increased from 3.4% in 1996 to over 70% in 2007.

1.3.4. Refuse Removal

Poor refuse services is one of the issues raised in focus group discussions with stakeholders including community members in the RLM. Statistics SA (2007) shows that in 1992 about 92% of the households had access to own refuse dumps. In 2007 the situation decreased to 83%.

1.3.5. Sanitation

It was further revealed that only 7% of the households had access to sanitation services in 2007. The situation is alarming because poor sanitation leads to unhygienic living conditions and diseases including pollution of the ground water. It was also found that in 1996 only 1% of the households in the local municipality had access to flush toilet systems. In 2007 the situation has not improved. More than 60% of the households still use pit latrines.

Municipalities	Pit Latrine		Bucket		No Toilet	
	CS 2001	CS 2007	CS 2001	CS 2007	CS 2001	CS 2007
Ratlou Local Municipality	81.4	84.4	0.3	0	16.1	12.7

Table 7

Though the number of people without access to toilet facilities has increased significantly, access to decent sanitation in the municipality remains a big challenge. A huge investment is needed to alleviate this problem.

1.3.6. Water

Access to regular water supply is essential for domestic use, economic activities and for sanitation purposes. As indicated in the table below, a large percentage of the population of Ratlou Local Municipality, 85% have access to piped water. However the problem facing the municipality remains the reliability of water sources.

Level of Service	DC38: NMMDM	NW381: Ratlou LM
Piped Water Inside dwelling	17,9	1,4
Piped Water Inside yard	24,7	5,7
Piped(tap)water to community stand: distance >200m from dwelling	18,3	25,4
Piped(tap)water to community stand: distance <200m from dwelling	16,8	34,7
Total Piped Water	77,7	67,2

Piped Water Inside the dwelling	25,7	1,7
Piped Water Inside yard	14,6	3,3
Piped water from access point outside the yard	41,3	80,7
Total piped Water	81,7	85,7
<i>Table 8 Access to levels of water service (Source: Statistics SA, 2007)</i>		

Water Source	2001 %	2007 %
Dwelling	1	1
Inside Yard	6	1
Community Stand	25	53
Community stand over 200m	35	32
Borehole	19	7
Spring	1	1
Rain Tank	1	1
Dam/Pool/Stagnant Water	1	1
River/Stream	3	1
Water Vendor	2	1
Other	6	1
Total	100	100

Table 9 above reveals that the main source of water supply is community stands including those which are over 200m away from the dwelling.

In general, access to piped water has increased tremendously. However, attention has to be paid to the distance travelled to access water as it remains a challenge.

1.3.7. Electricity

Municipalities	Lighting		Cooking		Heating	
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007
DC38: NMMDM	70,9	80,8	42,7	58,0	42,3	46,9
NW381: Ratlou Local Municipality	76,6	80,8	24,3	37,9	25,0	27,5

Table 10: Types of energy (source: Statistics SA, 2007)

The improvement indicated by the above statistics showing that more residents have access to electricity. The percentage of people using electricity for lighting is higher than those using it for other purposes. This may be due to high costs of electricity which may lead to rethinking of increase in electricity subsidies.

1.3.8. Roads

In terms of provision of roads, there is no scientific data on the matter. However it is known that the Municipality is at a very basic level when coming to these issues.

1.4. Financial Health Overview

Financial Overview: 2011/12 Year				
Details	Adjustment Budget	Actual	Variance Over/ (Underspent)	Variance
Income:				
Grants	104 748	78 324	-26 424	100%
Property rates and rental	2 650	2 755	105	13%
Interest earned	1 250	1 989	739	59%
Other	14 984	151	-14 833	-99%
Sub Total	123 632	83 219		
Less: Expenditure	73 614	77 624	-4 010	-5%
Gain / (loss) on sale of assets	-	-779		100%
Profit / (loss) on fair value adjustment	-	2 413		100%
Net Surplus / Deficit for the year	50 018	7 229		

There has been significant variances in Table 11 above a threshold of 10% between the budget and actual amounts for various items. This variances are explained as follows:

Revenue items:

Rental

The budget is based on prior year results collection rate.

Receipts for grants were received in full and sooner than expected. Inflation rate also contributed.

Interest earned

Government grants and subsidies

This is due to the roll overs from prior financial years which funded the adjustment budget.

Other income

This is due to the suprluses from prior financial years which funded the adjustment budget.

Expense items:

Employee related costs

Acting in filled positions due to disciplinary issues; posts upgrade; staff placement & unavoidable temporary staff appointments

Depreciation and amortisation expense

We have under budgeted

Finance Costs

The municipality budgetted more because it had plans for borrowings which never materialised.

Repairs and maintenance	The budget was mainly for district roll over which was implemented very late in February after the adoption of adjustment budget.
Grants and subsidies paid	Budgeted for as part of general expenses

1.5. Organisational Development Overview

The organisational structure was adopted and has been implemented through placement of staff and recruitment of new staff, however there are still vacancies in critical positions.

1.6. Auditor General Report

The Municipality has obtained an Unqualified Audit Opinion with other specified matters and has been consistent with this achievement in the previous years. This is due to a dedicated Municipal Officials as well as the Community as a whole.

The other specified matters have been detailed in Chapter 6 of this report and a clear programme to address these audit matters have been developed and all senior managers will be obliged to address all these matters in order to move towards sustaining a clean audit.

These remedial actions to address the issues raised in the Audit Report by the Auditor General of South Africa have been detailed in Chapter 7 of this Annual Report.

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1. Political Governance

2.1.1. Municipal Council

MFMA section 52 (a) requires that the Mayor provide general political guidance over the fiscal and financial affairs of the municipality

The Council has 28 Councillors (14 Proportional Representation (PR) Councillors and 14 Ward Councillors). The Speaker is the Chairperson of Council.

The party-political representation of Councillors are reflected in the table below:

Political Party	Number of Councillors	Gender distribution	
		MALE	FEMALE
African National Congress	22	8	14
Congress of the people	2	1	1
Democratic Alliance	1	1	0
United Christian Democratic Party	3	2	1
TOTAL	28	12	16

TABLE 12: Party-Political and Representation of Councillors

Source (www.elections.org.za)

The Municipality has 46,722 registered voters, of whom 55.83 % cast their vote in the May 2011 local government elections.

2.1.2. Political Leadership

Executive Committee

Position	Incumbent	Function
Mayor	Cllr P. V. Mance	· Chairperson of the Executive Committee
		· Responsible for the political direction of the municipality
		· Accounts to council
Executive Committee	Same as chairpersons of the Portfolio	· Identify the needs of the municipality
		· Review and evaluate those needs in order of priority

	Committees	<ul style="list-style-type: none"> · Recommends strategies, programme and services to address the needs
Speaker	Clr M. R. Mongala	<ul style="list-style-type: none"> · Presides over Council meetings · Ensuring that Council meets quarterly · Must maintain order during meeting · Ensures adherence to council rules

The Mayor is the chairperson of the Executive Committees which comprises of chairpersons of the five portfolios (section 79 Committees)

Section 79 committees are responsible for monitoring service delivery and they report to council. The portfolio committees are outlined in the table below:

Portfolio Committee	Chairperson
Corporate Services	Clr V Shomolekae
Community Services	Clr M Khumalo
LED and Agriculture	Clr M Bank
Technical Services	Clr J Mongale
Finance	Clr P Mokgosi

Standing committees (section 80) are permanent council committees which are responsible for holding council accountable in terms of its decisions and operations. The committees are chaired by councillors who are not members of the Executive Committee.

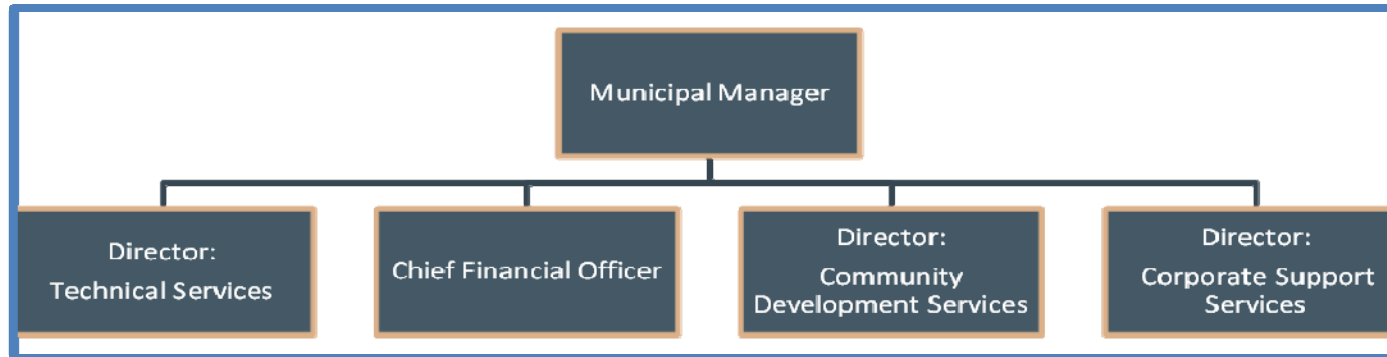
Name	Functions
Rules Committee	<ul style="list-style-type: none"> · Develops and approves rules for the proceedings
	<ul style="list-style-type: none"> · Determines focus areas to capacitate Councillors
	<ul style="list-style-type: none"> · Allocates members to various committees
Municipal Public Accounts Committee	Provides political oversight over financial management, accounts and overall performance

2.2. Administrative Governance

The Municipal Manager is responsible for the overall management of the municipality. The administrative wing of the municipality is made up of 5 departments, including the Office of the Municipal Manager. The departments and their functions are contained in the table below:

Department	Functions
Office of the Municipal Manager	DP and PMS
	Information Technology
	Internal Audit
	Communication
	Local Economic Development
	Office of the Speaker
	Office of the Mayo
Corporate Support Services	HUMAN RESOURCES MANAGEMENT
	LEGAL SERVICES
	CORPORATE ADMINISTRATION AND COUNCIL SUPPORT SERVICES
Budget and Treasury Office	Revenue and Expenditure Services
	Financial management and Budgetary Services
	Supply Chain Management Services
Community Development Services	Land, Parks and Cemeteries
	Libraries
	Community Facilities
	Environmental Health, Public Safety, Waste Management and Disaster management
	Social Services
Technical Services	Civil Engineering Service
	Municipal Roads and Storm water
	Water Services Facilitation
	Land Use Management
	Electricity ¹
	Public Works

Municipal Top Organizational Structure



COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3. The Intergovernmental Relations Framework

The Constitution of the Republic of South Africa, 1996 reflects on the Government of the Republic as "constituted as national, provincial and local spheres of government, which are distinctive, inter-dependent and interrelated".

It thus establishes some principles of co-operative and inter-governmental relations which all spheres of government and all organs of state within each sphere must adhere.

This principle is further enjoined by the Intergovernmental Relations Act, which compels different organs of state to plan and execute plans together.

The importance of cooperation in the development and implementation of the IDP cannot be overemphasized.

In order to achieve this cooperation, Ratlou Local Municipality makes optimal use of the following IGR structures to achieve integrated planning:

Name of IGR Structure	Composition	Function
Mayors Forum	Managers	Give political directives
Speakers Forum	municipalities	Champion public participation
Municipal Managers' Forum	Municipal Managers	and take administrative
Technical Cluster Forums	and Directors of sector	issues affecting their departments
IDP Forum	municipalities in the District	Run the processes of IDP Review

Table 13: IGR structures

2.4. Performance Highlights of Governance and Public Participation

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Promote a culture of accountability	Number of audit committee reports submitted to council	New	4	The audit committee reports were not compiled and submitted to council.	The District established the audit committee which supposed to be used by all the Local Municipality; however it was not functional during the year.	To investigate the possibility of establishing own committee
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	Number of anti-corruption campaigns implemented	New	2	The Municipality did not implement the anti – corruption campaign. However the District Municipality held 1 anti – corruption campaign in which the Municipality officials and community attended.	Clashing of events between the District, Local Government and our Municipality	To consult with different stakeholders when planning.
	Budget (R)	N/A	N/A	N/A	N/A	N/A
Deepen local democracy	% development of the Community Complaints and Issue Handling Policy and System	New	100% by December 2011	The Community Complaints handling policy was developed in December 2011. However it was not approved on the same month.	The next council meeting was scheduled to sit in January 2012, hence the policy not approved in December 2011.	The policy was approved at the council meeting which was held in January 2012.
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% development of the Community Participation Policy	New	100% by December 2011	Communication Participation Policy not developed	Various engagements took place which needed to be prioritized.	To prioritize the development of the communication policy at the beginning of the 2012/13 financial
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	Number of Quarterly Ward Committee Reports submitted to the Speaker	New	4 Quarterly Reports	Three (3) ward committee quarterly reports (quarter 2, 3 and 4) were compiled and submitted to the speaker.	The ward committee was only established at the end of the first quarter, which resulted in only 3 reports compiled.	The ward committee has since been established and running their responsibilities accordingly
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	Number of meetings of IDP and Budget Steering committee	2	4	Four (4) IDP and Budget Steering Committee Meetings were held.	N/A	N/A
	Number of Imbizos held	4	4	No imbizo were held during the year.	Too many public participation events took place for IDP, PMS, Budget and Annual Report	To prioritize the imbizo in the next financial year.

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
	Budget (R)	R 950 000	R 650 000	R 576 618.94	Refer above	Refer above
Deepen local democracy	Number of special projects to support Magosi	2	100% support per request	Magosi were supported as follows: 1. Accommodation for Kgosi Masibi on 21/09/2011; 2. Catering for meeting of dikgosi 3. Catering for 30 traditional council 4. Catering for Dikgosi meeting	N/A	N/A
	Budget (R)	R 75 000	R 130 000	R 89 761.43	The budget was not fully utilized as the support was as per request by the Magosi. As a result there were not much requests as anticipated.	None
	Number of special projects to support marginalized groups	10	10	The following social services projects were supported by the Municipality: 1. Youth summit; 2. Youth day celebration 3. Women summit; 4. Women Forum; 5. Women Development 6. Women's day celebration 7. Older people event 8. Donation to crèches in kraaipan; 9. Disability summit 10. Food packs rendered for Provincial Aids 11. Donation to Madibogo Ice Entertainment	More projects needed to be supported.	N/A
	Budget (R)	R1 055 000	R 810 000	R 127 200.52	The other budget was used to pay cooperatives in order for them to create more jobs for the youth.	None
	% revision of the Communication Strategy	Strategy in place	100% by December 2011	The communication strategy was 100% revised.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Improve Communication	Number of municipal newsletters published	New	4	2 municipal newsletters were published (EPWP launch and Youth Day celebration were key headlines) in the third and fourth quarters	The Communication Unit was vacant in the first (1) and second (2) quarters, hence two newsletters published	To ensure that all funded posts are filled to avoid lack of services delivery in the next financial year.
	Budget (R)	New	R 50 000	R 33 079.50	Refer above explanation	Refer above explanation
	% development of the ICT takeover management plan	New	100% by June 2012	The ICT takeover management plan was 100% developed.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A

2.5. Public Accountability and Participation

MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff.

Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance.

Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

The Municipality developed and implemented the Integrated Development Plan as per the required legislation and the adopted framework. The community was involved in the development process to ensure that the required needs are addressed.

The Integrated Development Plan included core components as follows:

- > The municipal council's vision and mission for long term development;
- > The council's development priorities and objectives as well as local economic development ;
- > The council's operational strategies;
- > A financial plan, which must include a budget projection for at least the next three years;
- > The key performance indicators and performance targets

The performance highlights of the development and process of the IDP are included as part of Good Governance and Public Participation Program.

CHAPTER 3: SERVICE DELIVERY

3.1. INTRODUCTION

The basic services and infrastructure key performance area forms the core of the municipality's Integrated Development Plan because it reports on the municipality's plan in responding to its primary responsibility of providing basic municipal services.

Current liability

As indicated in sections before this one, Ratlou Local Municipality is predominantly rural with dispersed villages covering an area of 4555 km². The rural nature and vastness of the municipal area means that the municipality has a serious backlog of basic municipal services and community infrastructure.

A brief status of different municipal services will be provided below:

Water and Sanitation

Local Municipality	Backlog – Water Supply (Number of Households)			Sanitation
	Below RDP	On RDP (200m)	Above RDP	Below RDP
Ratlou LM	25 000	5 140	5 030	21 958

The functions of water and sanitation are provided by Ngaka Modiri Molema District Municipality in the area of Jurisdiction of Ratlou Local Municipality. This means that the district municipality is the authority with regard to the provision of water and sanitation, while the municipality plays a facilitation and support role to the district. The district municipality has sub-contracted Botshelo Water on an agency basis for water provision.

Water remains a challenge in the municipality and the majority of the residents depend on water tankering for drinking water. Apart from the absence of adequate infrastructure there is also a serious problem of reliable sources of water. There is also a continuous competition between animals and human for water in the municipal area.

With regard to sanitation, the majority of the residents of Ratlou still use pit toilets as there is no water borne sanitation. There are however plans to provide VIP toilets throughout the municipal area. As part of the municipality's plan to improve water and sanitation provision, Ratlou Local Municipality is busy in negotiations with Ngaka Modiri Molema District to look at the possibility of the district appointing the local municipality as a water and sanitation agent.

Roads and Storm Water

Roads and storm water are shared functions between the district and the local municipality. In general the vast majority of the internal roads are in a bad state and require constant maintenance. Although the municipality has acquired equipment for road maintenance, there are not enough capital resources to enable the municipality to keep all the roads in a better and usable condition.

Electricity

Electricity is provided by Eskom in the entire municipal area, while the municipality only plays a facilitating role. The municipality is still characterized by limited access to basic electricity by some of its residents, especially in newly developed areas.

Street Lighting

High Mast lights are the only type of street lightings that is provided by the municipality. Although the majority of villages have been provided with high mast lights, some areas are still in the dark, while some of the high mast lights installed are not properly maintained and as a result not functioning.

The limited capacity of electricity supplied by Eskom also makes it difficult for the municipality to roll out high mast lights to all villages.

Housing

Housing is provided by the provincial department of Human Settlement, while the municipality provides a facilitation role. Among other things the municipality is responsible for identifying beneficiaries and facilitating the handover of completed houses.

Community Infrastructure

Ratlou has been able to provide its community with a number of community infrastructures such as community halls and sports grounds and libraries. There are, however, some villages that remain without these services and therefore the municipality is faced with the responsibility of extending these services to un-served areas.

3.2. 2011/12 Capital projects

No.	Name of Project	Current Expenditure	Excluding VAT	Prior Expenditure	Excluding VAT	Closing Balance	Excluding VAT	Project value	Capital Commitment 30 June 2012
1	Kraaipan Sport Facility / Complex	-	-	1 797 789	1 577 008	1 797 789	1 577 008	2 200 000	402 211
2	Tshidilamolomo Sport Complex Rehabilitation	-	-	392 560	344 351	392 560	344 351	1 500 000	1 107 440
3	Setlagole High Mast	-	-	4 778 767	4 191 901	4 778 767	4 191 901	4 216 000	-
4	Kraaipan Museum	-	-	930 810	816 500	930 810	816 500	930 810	-
5	Mabule Community Hall	-	-	465 309	434 964	465 309	434 964	1 188 154	722 845
6	Madibogo High Mast Lights 1	50 489	339 945	3 324 429	2 916 165	3 324 429	2 916 165	3 500 000	-
7	Mareetsane Community Library	84 283	359 251	2 213 153	1 941 363	2 213 153	1 941 363	2 700 000	402 564
8	Tlhaping Community Hall	-	-	314 915	276 241	314 915	276 241	1 344 291	53 159
9	Thutlwane Community Hall	-	-	2 105 795	1 847 188	2 105 795	1 847 188	1 805 000	-
10	WIP:Matloding Community Hall	1 253 255	1 099 346	571 419	501 245	571 419	501 245	2 000 000	175 326
11	WIP:Lohatlheng Community Hall	484 074	424 627	1 325 011	1 162 290	1 325 011	1 162 290	2 000 000	190 915
12	WIP:Ramabesa Community Hall	208 330	128 570	1 853 448	1 625 832	1 853 448	1 625 832	2 000 000	-
13	WIP:Setlhwatlhwe Community Hall	995 753	1 166 097	437 335	383 627	437 335	383 627	2 000 000	566 912
14	WIP:Makgobistadt Community Library	470 348	412 586	2 762 475	2 423 223	2 762 475	2 423 223	3 000 000	-
15	WIP: Madibogo High Mast Light (Ph.2)	-	-	2 926 959	2 567 508	2 926 959	2 567 508	4 000 000	1 073 041
16	Kraaipan High Mast Phase1	5 114 417	4 486 331	-	-	5 114 417	4 486 331	6 000 000	885 583
17	Logageng High Mast light	70 262	61 634	-	-	70 262	61 634	768 443	698 181
18	Loporung Community Hall	1 380 969	1 225 676	-	-	1 380 969	1 225 676	2 200 000	819 031

No.	Name of Project	Current Expenditure	Excluding VAT	Prior Expenditure	Excluding VAT	Closing Balance	Excluding VAT	Project value	Capital Commitment 30 June 2012
19	Madibogopan High Mast Phase 1	1 837 292	1 611 659	-	-	1 837 292	1 611 659	6 000 000	4 162 708
20	Makgori Community Hall	1 644 902	1 442 896	-	-	1 644 902	1 442 896	2 400 000	755 098
21	Diolwane Water Reticulation	95 115	83 434	-	-	95 115	83 434	110 000	14 885
22	Mathateng Water Reticulation	95 115	83 434	-	-	95 115	83 434	178 200	83 085
23	Kraaipan Sports Ground Phase 2	176 330	15 475	-	-	176 330	15 475	894 102	717 773
24	Setlagole Paving	34 570	30 325	-	-	34 570	30 325	139 000	172 542
	Setlagole Paving	192 880	169 200	-	-	192 880	169 200	261 000	476 377
25	Tshidilamolomo Sports Ground Phase 2	-	-	-	-	-	-	476 377	476 377
26	Disaneng Community Cemetery – Fencing	199 807	199 807	-	-	199 807	199 807	199 807	-
27	Kraaipan (Gathulo) Community Cemetery - Fencing	185 027	162 305	-	-	185 027	162 305	185 027	-
28	Kraaipan (Khuting) - Fencing	191 909	168 340	-	-	191 909	168 340	191 909	-
29	Logagane Community Cemetery - Fencing	278 475	278 476	-	-	278 475	278 476	278 476	-
30	Madibogo (Taxi Rank) Community Cemetery - Fencing	155 800	155 800	-	-	155 800	155 800	155 800	-
31	Madibogo (Tlhaping) Community Cemetery - Fencing	215 000	215 000	-	-	215 000	215 000	215 000	-
32	Madibogo-Pan (Dithwaneng) Community Cemetery - Fencing	190 987	190 987	-	-	190 987	190 987	190 987	-
33	Makgori Community Cemetery - Fencing	176 336	176 336	-	-	176 336	176 336	176 336	-

No.	Name of Project	Current Expenditure	Excluding VAT	Prior Expenditure	Excluding VAT	Closing Balance	Excluding VAT	Project value	Capital Commitment 30 June 2012
34	Mareetsane Community Cemetery - Fencing	-	-	-	-	-	-	-	229 999
35	Moshawane Community Cemetery - Fencing	182 196	182 196	-	-	182 196	182 196	182 196	-
36	Motsitlane Community Cemetery – Fencing	184 437	184 437	-	-	184 437	184 437	184 437	-
37	Ramabesa Community Cemetery - Fencing	178 888	178 888	-	-	178 888	178 888	178 888	-
38	Setlagole (Lokaleng) Community Cemetery - Fencing	286 500	286 500	-	-	286 500	286 500	286 500	-
39	Setlagole (Ramokoto) Community Cemetery - Fencing	255 000	255 000	-	-	255 000	255 000	255 000	-
40	Thutlwane Community Cemetery - Fencing	159 000	159 000	-	-	159 000	159 000	159 000	-
41	Drilling and equipping of boreholes***	-	-	-	-	-	-	-	-
42	Municipal back-up generator	-	-	-	-	-	-	-	-
Total as per Project Register		17 027 744	15 933 555	26 200 172	23 009 406	39 681 385	35 012 540	56 650 739	14 186 052

3.3. Performance Highlights for Basic Service Delivery and Infrastructure Development

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of basic municipal services	% development of the maintenance plan	2010/11 Maintenance Plan	100% by December 2011	Maintenance plan has been 100% developed by December 2011.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% submission of submitted free basic electricity needs applications to Eskom	New	100% by December 2011	100% (all 4893 free basic electricity needs were submitted to Eskom by December 2011	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% submission of list of free basic water and sanitation needs to the District Municipality	New	100% by December 2011	100% (all 4000 free basic sanitation needs) and 100% (12 villages free basic water needs) were submitted to the Ngaka Modiri Molema District Municipality by March 2012.	Delay of applying by community members in need of water and sanitation as well as the Department of Human Settlement plan affecting the Municipal Sanitation and Water program.	The need listings were sent by March 2012.
	Budget (R)	N/A	R 0	R 0	R 0	R 0
	Number of Water Services Delivery Monitoring Reports submitted to District Municipality	New	4	4 water tanking service delivery monitoring reports submitted to Council	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% establishment of the Town Planning and Building Control Functions	Existing SDF	100% by May 2012	The Town Planning and Building Control function was established in 1 May 2012 in which a Director was also appointed to run the said Directorate.	N/A	N/A
	Budget (R)	R 0	R100 405.15	R100 405.15	R 0	R 0
	Length of Roads Maintained	New	10km by end of third quarter	0km of road was maintained.	The under – performance was due to repetitive breakdown of machines used to maintain the roads	The Municipality has communicated with the District Municipality on these difficulties experienced. As a result the District Municipality has assured the Local Municipality that it will send their maintenance team on
			10km by end of fourth quarter			

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of basic municipal services	Budget (R)	N/A	N/A	N/A	N/A	N/A
	Length of new gravel road constructed	New	5km by end of third quarter	0km of new gravel was road constructed	The under – performance was due to members of the adjudication committee having other important commitments which resulted in the delay of the procurement process	The Municipality is aware of the importance of ensuring that the services are delivered to the community by ensuring that it speeds up the procurement process. As a result the contractor has been appointed and started with the project on the 12 June 2012
	Budget (R)	New	R 800 000	R 0	The budget was not utilized as the contractor was not yet appointed.	The contractor has been appointed and started with the project on the 12 June 2012 so that the budget can be utilized to ensure service delivery to the community
	% construction of Loporung Community Hall	New	100% by June 2012	Construction is about 90% complete	The under – performance was due to members of the adjudication committee having other important commitments which resulted in the delay of the procurement process	The Municipality is aware of the importance of ensuring that the services are delivered to the community by ensuring that it speeds up the procurement process. As a result the contractor has been appointed and started with the project on the 1 March 2012 and will complete on the 14 August 2012
	Budget (R)	R 0	R 2 300 000	R 1,047,944.70	The actual expenditure is as per the progress of the project as the contractor was appointed late on the 1 March 2012 and will complete on the 14 August 2012.	The directorate will monitor the project to ensure that the project is completed as per the contract agreement.

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of basic municipal services	% construction of Makgori Community hall	New	100% by June 2012	Construction is about 80% complete	The under – performance was due to the contractor not being financially capable, as a result delays in the delivery of materials.	The Municipality has indicated to the contractor that it will start imposing penalties in August 2012 if the construction is not complete.
	Budget (R)		R 2 300 000	R 1,040,397.84	The actual expenditure is as per the progress of the project as the contractor was experiencing financial problems to complete the project.	The Municipality will monitor the project and if no progress by August 2012 then penalties will be charged.
	% installation of Kraaipan High Mast lights	New	100% by June 2012	Installation is about 98% complete	The High Mast lights have been installed. The Municipality has requested quotations from Eskom in order to connect electricity so that the installation can be 100% completed. However the Municipality is still awaiting quotation from Eskom.	Continuously following up with Eskom to speed up the process of connection.
	Budget (R)	R 0	R 6 000 000	R 4 892 909.29	The project is still on-going as the Municipality is still waiting for quotations from Eskom to connect electricity.	Continuously following up with Eskom to speed up the process of connection.

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of basic municipal infrastructure	% installation of Madibogo Pan High Mast lights phase 2	New	100% by June 2012	Installation is about 65% complete	The under – performance was due to members of the adjudication committee having other important commitments which resulted in the delay of the procurement process	The Municipality is aware of the importance of ensuring that the services are delivered to the community by ensuring that it speeds up the procurement process. As a result the contractor has been appointed and started with the project on the 16 April 2012 and will complete on the 30 August 2012
	Budget (R)	New	R 6 000 000	R 1,956,096.96	The actual expenditure is as per the progress of the project as the contractor was appointed late on the on the 16 April 2012 and will complete on the 30 August 2012	The directorate will monitor the project to ensure that the project is completed as per the contract agreement.
	% construction of Kraaipan Sports Grounds Phase 2	New	100% by June 2012	Construction is about 40% complete	The under – performance was due to members of the adjudication committee having other important commitments which resulted in the delay of the procurement process	The Municipality is aware of the importance of ensuring that the services are delivered to the community by ensuring that it speeds up the procurement process. As a result the contractor has been appointed and started with the project on the 16 April 2012 and will complete on 30 September 2013.
	Budget (R)		R 1 000 000	R 167 513.03	The actual expenditure is as per the progress of the project as the contractor was appointed late on the 16 April 2012 and will complete on 30 September 2013	The directorate will monitor the project to ensure that the project is completed as per the contract agreement.

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of basic municipal infrastructure	% construction of Tshidilamolomo Sports Ground Phase 2	New	100% by June 2012	Construction is about 20% complete	The under – performance was due to noting through assessment of the contractor’s work that the service provider does not have the capacity and capability of completing the project.	The Municipality has made a decision to terminate the contract agreement of the incapable service provider and appoint a capable contractor.
	Budget (R)	New	R 473 000	R 41 512.50	The project is still on-hold as per the Municipality’s assessment we established that the service provider did not have the capacity and capability of completing the project.	The Municipality has made a decision to terminate the contract agreement of the incapable service provider and appoint a capable contractor.
	% compilation of the housing needs register	New	100% by June 2012	The Municipality has compiled a register of all the community members who are in need of houses and submitted the list to the Department of Human Settlements on 12 March 2012.	None	None
	Budget (R)	N/A	N/A	N/A	N/A	N/A
Provision of community services	Number of weekly / monthly maintenance of cemeteries	New	As per maintenance plans	After the SDBIP was developed, the Municipality researched and established that it does not own cemeteries. As a result no cemeteries were maintained.	After the SDBIP was developed, the Municipality researched and established that it does not own cemeteries. As a result no cemeteries were maintained.	To always research whether the indicators and targets are relevant before developing the SDBIP.
	Budget (R)	R 0	R 50 000	R 0	Refer above explanation	Refer above explanation
				14 cemeteries were all fenced by June 2012 and are as follows:	Project delayed by the procurement process due to	The projects completed; however one cemetery was not
				1. Kraaipan (Khuting)		
				2. Kraaipan (Gathulo)		
				3. Makgori		
				4. Motsitlane		
				5. Logageng		

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of community services	Number of cemeteries fenced		15	6. Setlagole (Ramokoto) 7. Madibogo-pan (Dithwaneng) 8. Madibogo (Taxi Rank) 9. Madibogo (Tlhaping) 10. Ramabesa 11. Thutlwane 12. Moshawane 13. Disaneng 14. Setlagole (Lokaleng)	unclear specifications and members having other commitments.	completed as the service provider was only appointed in July 2012.
	Budget (R)		R 2 839 361.27	R 2 839 361.27	N/A	N/A
	Number of libraries operating as per municipal schedule	Newly built libraries	3	Three (3) libraries (Mareetsane, Madibogo (Morolong) and Makgobistad) were built, however not yet operating.	Ratlou Local Municipality requested the Department of Sports, Arts and Culture to assist with furnisher, library collection, information technology and appointment of professional staffs so that the libraries can start operating.	The Department responded to the Municipality indicating to them that they do not have the budget yet to assist them. But it will make sure that it considers the request for the next budget year.
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% establishment of the Municipal Sports Forum	New	100% by June 2012	Sports Forum was established by the Department of Sports and Ratlou Local Municipality was the key stakeholder.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% establishment of the Traffic Department	New	100% by June 2012	The Traffic Department have not yet been established	The delay is due to the delay in identifying people who have been sent for traffic training (1 year course) in January 2012.	To advertise the posts in 2012/13 financial year after the training have been completed

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of community services	Budget (R)	N/A	R 240 000	R 121 119.14	The budget is with regard to purchasing uniform, stationery and stipend for 3 people sent for training and as anticipated.	Refer above
	Number of villages receiving refuse removal service for the first time	New	20	20 villages in Ward 1 to 14 received refuse removal for the first time.	N/A	N/A
	Budget (R)	N/A	R1 335 760	R 157 300	The refuse removal was done through EPWP. The budget was exceeded due to more people appointed than planned for.	To ensure that the budget is utilized as planned for.
	Number of weekly waste removal from businesses	Ad hoc basis	Twice per week	Waste was collected twice per week at Setlagole Business Complex	N/A	N/A
	Budget (R)		Operational	Operational	N/A	N/A
	Number of existing dumping site formalized	New	2	No dumping sites have been formalized yet	Delay in procurement process to obtain specifications of the project to appoint a service provider to assist with the process of formalizing the sites	To follow up with procurement to speed up the process.
	Budget (R)	N/A	R 220 000	R 0	Refer above explanation	Refer explanation above
	Number of compliant dumping sites established	New	2	No compliant dumping sites were established	Delay in procurement process to obtain specifications of the project to appoint a service provider to assist with the process of obtaining compliance of the sites	To follow up with procurement to speed up the process.
	Budget (R)		R220 000	R 0	Refer above explanation	Refer explanation above

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Provision of community services	Number of informal dumping sites rehabilitated	New	3	No informal dumping sites rehabilitated	Delay in procurement process to obtain specifications of the project to appoint a service provider to assist with the process of rehabilitation of the sites	To follow up with procurement to speed up the process.
	Budget (R)	N/A	R 120 000	R 0	Refer above explanation	Refer explanation above
	Number of district Disaster Advisory and Fire Fighting Services Forum meetings attended	4	8	No meetings were attended for the district Disaster Advisory and Fire Fighting Services Forum	No meeting took place at the District to be attended	To follow up with the District to keep us updated on the schedule of the meetings
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	Number of sports, arts and culture projects supported	New	4	No projects were supported for sports, arts and culture	The Department of Sports, Arts and Culture did not provide the Municipality with the budget and support to also provide support to the community	Follow up with the Department took place in which they indicated that once they have sufficient budget will assist the Municipality.
	Budget (R)	N/A	R 0	R 0	Refer above explanation	Refer above explanation
	Number of Social Services projects supported	New	4	<div>The following social services projects were supported by the Municipality</div> <div>1. Youth summit;</div> <div>2. Women summit;</div> <div>3. Older people event and donation to crèches in kraaipan;</div> <div>4. Disability summit</div>	N/A	N/A
	Budget (R)	R 558 604.56	R 1 020 000	R 1 505 148.48	The projects incurred costs more than anticipated	None

CHAPTER 4: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

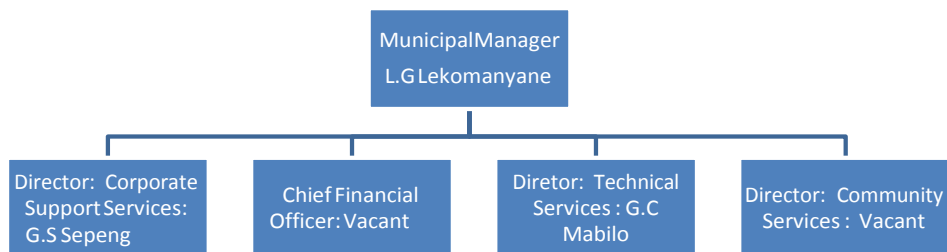
4.1. The Municipal Organisational Structure

The administrative structure of the municipality is made up of a total of 136 employees. The organizational structure was under review during the 2010/11 with the view to align it with the powers and functions and the IDP.

The municipality had also developed and implemented the Workplace Skills Plan (WSP) for the year under review, and employees and Councillors were trained in line with the plan in order to ensure that there is improvement in performance. Skills development will continue to be at the centre of the municipal operation in the coming years.

4.1.1. Municipal Top Organisational Structure

The senior management structure of the municipality is depicted on the following organogram:



The detailed administration organisational structure is depicted as follows as per Programme:

4.1.2. Office of the Mayor

Type/Level	Number Employees		Vacant	Total Number
	Male	Female		
Senior Manager/s	2	0	0	2
Middle Managers	0	0	0	0
Professionals	0	0	0	0
Technicians and associate professionals	0	0	0	0
Clerks	4	8	1	13
Total	6	8	1	15

4.1.3. Office of the Speaker

Type/Level	Number Employees		Vacant	Total Number
	Male	Female		
Senior Manager/s	0	1	0	1
Middle Managers	0	0	0	0
Professionals	0	0	0	0
Technicians and associate professionals	0	0	0	0
Clerks	2	2	1	5
Total	2	3	1	6

4.1.4. Office of the Municipal Manager

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1	0	0	1
Middle Managers	5		2	7
Professionals	1	0	0	1
Technicians and associate professionals	1		2	3
Clerks	5	4	6	15
Total	13	4	10	27

4.1.5. Corporate Support Services

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	0	2	1	3
Middle Managers	0	0	0	0
Professionals	0	0	0	0
Technicians and associate professionals	0	0	0	0
Clerks	9	12	7	28
Total	9	14	8	31

4.1.6. Budget and Treasury Office

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	0	1	0	1
Middle Managers	1	1	4	6
Professionals	0	0	0	0
Technicians and associate professionals	0	0	0	0
Clerks	5	4	6	15
Total	6	6	10	22

4.1.7. Infrastructure

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1	0	0	1
Middle Managers	2	0	0	2
Professionals	0	0	2	2
Technicians and associate professionals	0	0	5	5
Clerks	25	2	7	34
Total	28		14	44

4.1.8. Community Services

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1	1	1	3
Middle Managers	0	0	0	0
Professionals	0	0	0	0
Technicians and associate professionals	0	0	0	0
Clerks	22	11	45	78
Total	23	12	46	81

4.2. Capacitating the Municipal Workforce

As required by the municipal regulation on minimum competency level as well as the municipal system act (Act 32 of 2000), we have identified skills gap as per the Work Skills Plan and through assessment of the qualification backgrounds for section 57 manager & other line managers in order to assess how far they are academically (Please refer figure 4.2a and 4.2b below for the qualification background).

These gaps have been addressed through learner ship programmes, University enrolments and trainings. The skills development outcome will assist the municipality to have officials with the required knowledge and skills to achieve the objectives and planned targets of the municipality. The following table indicates the skills gaps addressed:

- > Advanced Municipal Governance (NQF 7) - North-West University (Accounting Officer and Director Corporate Services) - refer to Annexure A
- > Municipal Governance (at NQF 6) - North-West University (1 Director & 15 Deputy Directors and Managers) - refer to Annexure A
- > Budget & Treasury (Finance & SCM) Personnel - Annexure B

Training & Skills Intervention NQF L	Name of Institution	No. of Participants (Management)
Municipal Management Programme	University of Pretoria	7 (Financial Interns)
Fundamentals of Property & Leasing Law	Amelihle Business Consulting (JHB)	1
Service Level Agreement	Soft Touch Training (Pretoria)	2

Corporate Services Personnel

Training & Skills Intervention NQF L	Name of Institution	No. of Participants (Management)
Service Level Agreement	Soft Touch Training (Pretoria)	3
Fundamentals of Property & Leasing Law	Amelihle Business Consulting (JHB)	1
Website Development	New Horizon (Cape Town)	5
Supply Chain Management	Palama (Pretoria)	20

Mayor's Office

Training & Skills Intervention NQF L	Name of Institution	No. of Participants
Computer Literacy (Councillors)	Damelin (Mahikeng)	8

Ward Committee Training	Kgotla Training	140
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4.3. Personnel Expenditure

The following table depicts trends on personnel expenditure over the past three years compared to total budget (including Councillors Allowances):

2011/12		2010/11		2009/10	
Total Operating Budget	Personnel Expenditure	Total Operating Budget	Personnel Expenditure	Total Operating Budget	Personnel Expenditure
R73 614 195.00	R30 925 945	R37 171 091	R 30 057 233	R 28 716 636	R 16 189 814

4.4. Pension Fund

The following table presents information on the pension funds in existence in Ratlou Local Municipality:

PENSION FUND	NUMBER OF MEMBERS	COUNCIL CONTRIBUTION
MEPF	113	0
MCPF	0	28
SAMWU	110	0

4.5. Medical Aid

The following table provides information on the medical aid schemes in operation in the Municipality:

MEDICAL AID	NUMBER OF MEMBERS
BONITAS	22
HOSMED	3
SAMWUMED	55
LA HEALTH	34
KEY HEALTH	1

4.6. Outstanding Monies

There were no arrears/outstanding monies owed to the municipality by staff or councillors during the 2011/12 financial year

4.7. Salaries, overtime and homeowners allowance

The following depicts salaries, overtime and homeowners allowances by level for the period 01 July 2011 - 30 June 2012:

DESCRIPTION	SALARY	OVERTIME	HOME OWNERS ALLOWANCE
Top Management	R 3 173 563	R -	R -
Other line Managers	R 23 385 320	R 282 402	R 142 414
TOTAL	R 26 558 883	R 282 402	R 142 414

Figure 4.2a

Qualification back ground

Position	Name	Qualifications	Experience
1. Municipal Manager	Glen Lekomanyane	Advance Municipal Governance (University of North West-Current)	· Acting Municipal Manager(Ratlou local municipality July 2011-Dec 2011)
		National certificate in Municipal Governance (University of Johannesburg 2010)	· Manager in the Mayor's office Manager(Ratlou local Municipality 2007-2011)
		MBA general management(North west University (in progress)	· LED Manager(Ratlou local municipality 2004-2005)
		Hospital Management programme(University of Witwatersrand 2002)	· Radiographer/Senior (Gelukspan hospital Jan 1999-2003)
		National Diploma-Radiography(Technikon Witwatersrand 1996-1998)	
2. Deputy Director: Budget	Brenda Mabe	Municipal Governance(current)	· Acting CFO (Ratlou Municipality- May 2012 to date)
		North West University	· Deputy Director – Budget (Ratlou Municipality-September 2011)
		Local Government Finance Management (Belgravia Institute of Management-2006)	· Payroll Officer (Ratlou Municipality-2006-2008)
		Bcom-Accounting (North West 2005)	· Chief-enumerator (Stats SA 1996)
		Certificate programme in Management Development (Wits BusinessSchool-2011)	
3. Director Corporate Service	Sharon Sepeng	Advance Municipal Governance (University of North West- current)	· Acting head in the office of the Municipal Manager (Mahikeng Local Municipality- 2011-2012)
		Masters of Business Administration (University of North West 2011)	· Senior Manager : KIKA Consultancy
		University Diploma in Education (University of Bophuthatswana 1994)	· Senior Projects Manager (Mt Nebo Development Institution)
			· Educator (1994-2006)
4. Director Technical Service	Goone Mabilo	Municipal Governance (University of North West Current)	· Site Manager (Godimong Consulting – 2009)
		S1-S2 in Civil Engineering (Peninsula Technicon-2000)	· Resident Engineer (Re a Aga Infrastructure-2008-2009)
		S 3- S 4 in civil engineering (SA Technicon- 2005)	· Assistant resident Engineer (Africon Engineering International 2005-2008)
			· Technician (Jeffares & Green (PTY)Ltd- 2001-2005)
		Population Studies and Research (University of KZN-current)	· Director (HOD) Spatial Planning Economic Development (Maruleng Local Municipality- Limpopo 2008-2012)
		Bachelor of Science in Town & Regional Planning (Wits- 2000)	· Senior town planner (Maruleng L. Municipality (2001-2005)

Position	Name	Qualifications	Experience
5. Director Planning & Development	Tukisetso Kopele	Local Government Management Development Programme (Uniwest 2003)	· Town planner (Takalani Mulidi 2001-2002)
		Environmental Management Systems (University of Potchefstroom - 20030	
		Procurement and Contract management (University of Pretoria- 20030	
		Introduction to LED (Limpopo LED Programme 2007)	
		Intergraded development planning(DBSA Vulindlela Academy 2008)	
6. Deputy Director Community Libraries	Kgetsing Seate	Municipal Governance (University of North West -current)	· Librarian (Ratlou Local Municipality 2003-2009)
		Diploma in Information Science (Unisa- current)	· Deputy Director: Community Libraries(2009 to date)
		Baccalerus Artium Education (Vista 1997)	
		Certificate in Labour Relations (University of Pretoria- 2005)	· Cashier (Setlagobi Local Municipality 2001 to 2003)
		Certificate in Office Management (UP 2011)	
7. Deputy Director LED	Tebogo Gaerupe	Municipal Governance (Uniwest-current)	· Acting LED Manager (Ratlou Local Municipality August 2010)
		Ward Committee Training(University of North West 2004)	· Chief Registry Clerk (Ratlou Local Municipality October 2011)
			· Registry Clerk (Ratlou Local Municipality Feb 2005)
			· Warehouse Manager(Department of Social Development Dec 2003- Nov 2004)
			· Electoral democracy development facilitator (I.E.C Jan-April 2004
			· Training facilitator (Maele Consortium Training and Management services Jan-April 2004)
			· Census supervisor(Statistics South Africa September 2001)
			· Census listing official(Statistic South Africa Sep 2001-November 2001)
8. Deputy Director SCM	Otlotleng Gaolaolwe	Municipal Governance (Uniwest-current)	· Procurement Officer (Ratlou Local Municipality)
		Bachelor of Commerce (Uniwest-2001)	· Office Administration (Setlagobi Parliamentary Constituency Office)
		Supply Chain Management for Municipalities &Entities (SAMDI)	· Administration Clerk (Department of Health-Mafikeng District Office)
		Municipal Supply Chain Management (Belgravia Institute of Management	
		Municipal Governance (Uniwest-current)	· I.T officer (Ratlou Local Municipality 2008-2011)
		I.T Management Programme (University of Pretoria-Current)	· Cashier (Ratlou Local Municipality 2006-2008)

Position	Name	Qualifications	Experience
9. Deputy Director I.T	Matlala Logare	National Diploma in Financial Information Systems(UP-Current)	· Petrol attendant (Setlagole Vulstasie 2003-2006)
		Information Technology Project Management (ForeFront Training and Business Solutions-2011)	
		Municipal Finance Management Programme (University of Pretoria (2010)	
		Programming (New Horizon 2009)	
		Municipal Finance Management Programme (Vuselela FET College 2008)	
		National Diploma in Financial Information Systems(University of SA 2005)	
10. Deputy Director Community Services	M. Masibi	Master of social science in development studies (North West University-Current)	· Assistant director LED (Ratlou Municipality- 2007)
		BA Social Science in Development Studies (University of North West 2007)	· Team Leader (Price Water Coopers-(Sep 2007)
		BA in Conservation, Tourism and Sustainable Development (North West University 2005)	· Team Leader (North West Parks and Tourism Board 2006)
11. Manager Office of the Speaker	I.H Molefe	Municipal Governance(current-Uniwest)	· Counting officer (IEC 2009)
		Lehurutshe College of Education1997)	· Stats Officer (IEC 2004)
		ACE (curriculum & professional Development-(Uniwest 2009)	· Educator (Motloding Primary)
12. Manager Office of the Mayor	T.Seleke	Municipal Governance (Uniwest- current)	· Educator (Ikopanyeng Middle School 1996-1997)
		Population studies(UKZN –Current)	· Educator (Buisang Abet centre feb 2001-November 2001)
		Diploma in Adult Basic Education and Training (Unisa 2011)	
13. Manager Office of the Municipal Manager	T. Modise	Municipal Governance (Current - Uniwest)	· Manager (Road Transport Services (2010-2012)
		Bachelor of Commerce & Business & HR Management (Uniwest-2003)	· Grant Administrator (SASSA-2005-2010)
		Diploma in computer Accountancy (Computer and Careers- 1998)	· Internship (Department of Public Works 2004-2005)
			· Graduate assistant
			· Internship
			· Grant Administrator
14. Deputy Director PMU	P. More	Municipal Governance (current- Uniwest)	· Site technician (Vela VKE Consulting Engineers)
		National Diploma Civil Engineering 2000)	· Trainee civil Engineering Technician (Rainbow Construction 2011)
			· Student technician (Moses Cavils PTY Ltd 2010)
			· Peer tutor (Vaal University of Technology 2009)
		Municipal Governance (Uniwest -current)	· Regional HR Practitioner (NHLS-2009-2012)

Position	Name	Qualifications	Experience
16. Deputy Director HR	B. Madumo	Population studies(UKZN –Current)	· ETD Practitioner-Freelance Facilitator (Khulisane Training Academy Sep 2008-Jun 2009)
		Masters Diploma in Human Resource Management (UJ 2004)	· HR Shared Services Consultant (BPSA 2006-2008)
		Leadership Development Programme (Wits Business School 2007	· Africa Regional EAP, HIV/AIDS Programme Advisor (BPSA 2002-2006)
		Bachelor of Social Science in Social Work (Uniwes 1999)	· Regional HIV/AIDS Programme Advisor (Eskom 1999-2002)
		Training and development (City of Guilds of London Institute-JHB 1999)	· Human Resource Officer (Eskom 1995-1999)
			· SNR Revenue Officer (Bop Electricity Cooperation 1988-1995)
17. Internal Audit Manager	M. Seero	Municipal Governance (Uniwes- current)	· Senior Internal Auditor (NW Provincial Audit -2009-Jun to Feb 2012)
		National Diploma internal Audit (Vaal University of technology 2003)	· Assistant Director (Dept of Housing 2008-2009)
		PFMA certificate (North West Provincial Audit)	· Acting Audit Supervisor (KZN Provincial Treasury 2007-2008)
		Project management short course (Durban University of Technology- 2007)	· Assistant Internal Auditor (North West Provincial 2005-2006)
			· Internship programme (NW Provincial 2005)
18. Communication and Telecenter	Lesley Muji	Governance (University of North West- Current)	· Setlagole Telecenter (Centre Moderator 2006-2011)
		Government Communication Media (Rhodes University 2012)	· Laboratory Manager (National Health Lab Services-Lehurutshe Community Hospital 2007-2011)
		International Computer Driving License (ICDL Roodepoort college 2004)	· Medical technologist(Louse Pasteur hospital 2000)
		Clinical Pathology (University of Limpopo 1999-2000)	· Intern Medical Technology student (Gauteng Department of Health 1999)
		National Diploma in Biomedical Technology (Tshwane University of Technology 1995-1994)	
19 .Deputy Director IDP	Job Matlhoko	Municipal Governance (Uniwes current)	· Acting Manager Corporate Services (Ratlou Local Municipality Oct 2011)
		Executive Leadership Municipal Development Programme (University of Pretoria- 2010)	· Fleet & Facilities management officer (Ratlou Municipality)
		Fleet Management (University of JHB-2006)	· Area Manager (IEC Ratlou Municipality 2003)
		Transport, fuel and Fleet (Sipuka Consulting 2007)	· Ward Committee Trainer (Pawe Development and Training- 2004)
20. Deputy Director Revenue	Priscilla Moruakgomo	Municipal Finance Programme (University of Pretoria- 2010)	· Payroll Officer (Ratlou Local Municipality- March 2008- Jul 2012)
		Bachelor of Commerce Degree ((Accounting & Auditing –Uniwes 2007)	· Finance Intern (Ratlou Local Municipality June 2007-Feb 2008)
			· Auditing (Price Water Coopers 17 Jan 2007-22 Feb 2007)

Figure 4.2b Tarining Attended

TRAINING ATTENDED PER CATEGORY							
Surname	Initials	Employment Status	Race	Gender	Department	Job Designation	Training Attended
BAREKI	O.C	PERMANENT	Black	Female	OFFICE OF THE MAYOR	OUTREACH OFFICER	Learnership DBSA
MOTHIBI	S	PERMANENT	Black	Female	CORPORATE SERVICE	RECEPTIONIST	Local Government Management
LETEBELE	O	PERMANENT	Black	Female	CORPORATE SERVICE	PERSONNEL CLERK	Local Government Management
MBANA	J	PERMANENT	Black	MALE	CORPORATE SERVICE	PERSONNEL CLERK	Local Government Management
NKOMO	J	PERMANENT	Black	Female	CORPORATE SERVICE	CLEANER	Cleaning:Skills Programme
VELEMANE	J	PERMANENT	Black	Female	COMMUNITY SERVICE	GENERAL WORKER	Cleaning:Skills Programme
GOPANE	R	PERMANENT	Black	Female	COMMUNITY SERVICE	CLEANER	Cleaning:Skills Programme
MOATLE	K.H	PERMANENT	Black	Female	COMMUNITY SERVICE	CLEANER	Cleaning:Skills Programme
PHAKEDI	M.P	CONTRACT	Black	MALE	FINANCE	FINANCE INTERN	Municipal Management Programme
MOKGOTHU	T R	CONTRACT	Black	female	FINANCE	YOUTH LEARNERSHIP	Municipal Management Programme
NTASI	P	CONTRACT	Black	female	FINANCE	FINANCE INTERN	Municipal Management Programme
DIRATSAGAE	A	PERMANENT	Black	MALE	OFFICE OF THE SPEAKER	WARD COMMITTEE CORDINATOR	Office Management
SEGWERE	B	CONTRACT	Black	female	OFFICE OF THE SPEAKER	P.A OF THE SPEAKER	Office Management
MOGOJE	N	PERMANENT	Black	female	COMMUNITY SERVICE	LIBRARIAN	Office Management
MONAGENG	S	PERMANENT	Black	female	COMMUNITY SERVICE	LIBRARIAN	Office Management
MOGOTSI	F	PERMANENT	Black	MALE	COMMUNITY SERVICE	LIBRARIAN	Office Management
GAOLAOLWE	O	CONTRACT	Black	MALE	FINANCE	MANAGER	Service Level Agreement
GAERUPE	T	CONTRACT	Black	MALE	TOWN PLANNING & DEVELOPMENT	MANAGER	Service Level Agreement
GAEPE	R	CONTRACT	Black	FEMALE	FINANCE	CHIEF FINANCIAL OFFICER	Service Level Agreement
SEPENG	S	CONTRACT	Black	FEMALE	CORPORATE SERVICE	MANAGER	Service Level Agreement
MATLHOKO	J	CONTRACT	Black	MALE	TOWN PLANNING & DEVELOPMENT	MANAGER	Fundamentals property & l leasing law
MABE	B.P	CONTRACT	Black	FEMALE	FINANCE	MANAGER	Fundamentals property & l leasing law
KHUDUGA	P	PERMANENT	Black	MALE	FINANCE	CLERK	Fundamentals property & l leasing law
MOALUSI	F	PERMANENT	Black	MALE	OFFICE OF THE SPEAKER	PUBLIC PARTICIPATION OFFICER	Computer Course
MOLEFE	I.H	CONTRACT	Black	MALE	OFFICE OF THE SPEAKER	MANAGER	Computer Course
MONGALA	M.R	CONTRACT	Black	FEMALE	OFFICE OF THE SPEAKER	SPEAKER	Computer Course
BANK	M.M	CONTRACT	Black	FEMALE	MAYORS OFFICE	EXCO MEMBER	Computer Course
MANCE	P.V	CONTRACT	Black	MALE	MAYORS OFFICE	MAYOR	Computer Course
MATEBELE	G.A	CONTRACT	Black	MALE	MAYORS OFFICE	CHIEF WHIP	Computer Course

Surname	Initials	Employment Status	Race	Gender	Department	Job Designation	Training Attended
BOIKANYO	G	CONTRACT	Black	FEMALE	MAYORS OFFICE	EXCO MEMBER	Computer Course
MONGALE	J	CONTRACT	Black	MALE	MAYORS OFFICE	EXCO MEMBER	Computer Course
KUMALO	M	CONTRACT	Black	FEMALE	MAYORS OFFICE	EXCO MEMBER	Computer Course
MOKGOSI	P.P	CONTRACT	Black	FEMALE	MAYORS OFFICE	EXCO MEMBER	Computer Course
SHOMOLEKAE	V.K	CONTRACT	Black	FEMALE	MAYORS OFFICE	EXCO MEMBER	Computer Course
BOGATSU	M.T	PERMANENT	Black	FEMALE	FINANCE	PROCUREMENT OFFICER	Municipal Management Programme
TJALE	C	CONTRACT	Black	MALE	FINANCE	FINANCE INTERN	Municipal Management Programme
TSAOKA	C	CONTRACT	Black	FEMALE	FINANCE	FINANCE INTERN	Municipal Management Programme
MMUTLE	L	PERMANENT	Black	FEMALE	FINANCE	ACCOUNTANT OFFICER	Municipal Management Programme
LOGARE	M	CONTRACT	Black	MALE	MUNICIPAL MANAGER	I.T MANAGER	Website Development
SELOGELWA	M	PERMANENT	Black	FEMALE	MUNICIPAL MANAGER	I,T OFFICER	Website Development
MUJI	L	PERMANENT	Black	MALE	MUNICIPAL MANAGER	COMMUNICATION & TELECENTRE	Website Development
MARUMOLWA	M	CONTRACT	Black	MALE	MUNICIPAL MANAGER	TELECENTRE OFFICER	Website Development
MONGALE	K.C	PERMANENT	Black	MALE	MUNICIPAL MANAGER	WEB SYSTEM ADMINSTRATOR	Website Development
NTSIMANYANE	M	CONTRACT	Black	FEMALE	OFFICE OF THE MAYOR	YOUTH LEARNERSHIP	Registry and Mail Management
MOGAPI	S.F	CONTRACT	Black	FEMALE	FINANCE	DEPUTY DIRECTOR	Registry and Mail Management
MASIBI	M	CONTRACT	Black	MALE	COMMUNITY SERVICE	DEPUTY DIRECTOR	Emerging Management Programme
MABILO	G.C	CONTRACT	Black	MALE	TECHNICAL SERVICE	MANAGER	Emerging Management Programme
MODISE	T.J	CONTRACT	Black	MALE	MUNICIPAL MANAGER	MANAGER	Emerging Management Programme
SELEKE	T.L	CONTRACT	Black	MALE	OFFICE OF THE MAYOR	MANAGER	Emerging Management Programme
MORE	P.M	CONTRACT	Black	MALE	PROJECT MANAGEMENT	DEPUTY DIRECTOR	Emerging Management Programme
BARUKI	L.D	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
BRINK	D.G	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
KGOSIEMANG	G	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
MOGWASI	T	PERMANENT	Black	MALE	TECHNICAL SERVICE	GENERAL WORKER	Landscape Maintenance
MASERU	D.E	PERMANENT	Black	MALE	TECHNICAL SERVICE	GENERAL WORKER	Landscape Maintenance
HENSLEY	T.W	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
RANTSIJANG	M.K	PERMANENT	Black	MALE	TECHNICAL SERVICE	GENERAL WORKER	Landscape Maintenance
JANTJIES	M.N	PERMANENT	Black	MALE	TECHNICAL SERVICE	GENERAL WORKER	Landscape Maintenance
PAULUS	K.A	PERMANENT	Black	MALE	TECHNICAL SERVICE	GENERAL WORKER	Landscape Maintenance
DALY	F	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
MORWE	O.P	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
LEKEBE	O.P	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
MOLEBATS	G.M	PERMANENT	Black	MALE	TECHNICAL SERVICE	GENERAL WORKER	Landscape Maintenance
LETSAPA	S.S	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
MAKABANYANE	B.G	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
SETLHOTLHA	J	PERMANENT	Black	MALE	COMMUNITY SERVICE	LIBRARY	Landscape Maintenance
LEKOPANYE	M.C	PERMANENT	Black	MALE	COMMUNITY SERVICE	LIBRARY	Landscape Maintenance
LOBESE	P	CONTRACT	Black	MALE	COMMUNITY SERVICE	GRADER OPERATOR	Landscape Maintenance
MORABE	A	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
TABANE	S.W	PERMANENT	Black	MALE	COMMUNITY SERVICE	GENERAL WORKER	Landscape Maintenance
MOOKI	E.K	CONTRACT	Black	MALE	UNEMPLOYMENT YOUTH	VOLUNTEER	Traffic Law Enforcement
MMUSI	R.N	CONTRACT	Black	FEMALE	UNEMPLOYMENT YOUTH	VOLUNTEER	Traffic Law Enforcement
THABANE	M	CONTRACT	Black	FEMALE	UNEMPLOYMENT YOUTH	VOLUNTEER	Traffic Law Enforcement
NGILO	F	CONTRACT	Black	MALE	UNEMPLOYMENT YOUTH	VOLUNTEER	Traffic Law Enforcement

Surname	Initials	Employment Status	Race	Gender	Department	Job Designation	Training Attended
SALAMMU	T	CONTRACT	Black	FEMALE	UNEMPLOYMENT YOUTH	VOLUNTEER	Traffic Law Enforcement
MARUPING	R.T	CONTRACT	Black	MALE	UNEMPLOYMENT YOUTH	VOLUNTEER	Traffic Law Enforcement
Mothibi	S	PERMANENT	Black	FEMALE	CORPORATE SERVICE	RECEPTIONIST	Labour Relations
Kedisitse	D	PERMANENT	Black	FEMALE	FINANCE	Creditors Clerk	Labour Relations
ALL EMPLOYEES(100) ATTENDED CUSTOMER SERVICE							Customer Care
ALL WARD COMMITTEES ATTENDED TRAINING							Ward Committee Training
ALL MIDDLE MANAGERS AND SENIOR MANAGERS ATTENDED SUPPLY CHAIN MANAGEMENT TRAINING							Supply Chain Management

4.8. Performance highlights for Institutional Transformation and Organisational Development

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance / challenges (under / over performance)	Corrective measures
Promote Skills enhancement	Number of Councilors trained	New	28 councilors	28 Councilors were trained on various courses 1. Computer Course on the 26 th – 30 th March 2012 2. Rules of Order By-law on the 25 th – 29 th June 2012 - Refer to Annexure b	The training did not take place as per planned target dates, however all the councilors were trained as planned. The delay in training was due to a delay in the identification of the training needs of the councilors	To ensure that the councilors' training needs are identified during the planning phase of setting the target so that they are achieved per targeted dates
	Budget (R)	R 0	R 400 000	R 264 541	Training was not identified as anticipated; therefore less budget was utilized	Refer above explanation
	No of employees trained	New	90 employees	135 employees were trained on various training programs as follows: 1. Local Government Management; 2. Cleaning Skills Programme; 3. LED; 4. Municipal Management Programme; 5. Office Management ; 6. Service level agreement Course; 7. Supply Chain Management; 8. Fundamentals property and leasing law management training; 9. Registry and mail management 10. Customer Service 11. Municipal Management Programme 12. Municipal Governance 13. Traffic Officers Course 14. Website Development 15. Labour Relations Management - Refer to Annexure b	The training did not take place as per planned target dates and furthermore more employees were trained. This was due to the Municipality having a budget to ensure that all its employees received training where there was a need and the delay in the identification of the training needs of the employees.	To ensure that in future all employees are planned to receive training were a need may arise.
	Budget (R)	R 0	R 968 514	R 1 027 000	More training was needed than anticipated.	Refer above explanation
	% development of the WSDP	WSDP developed and submitted.	100% by December 2011	The workplace Skills Development Plan has been 100% developed by December 2011	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance / challenges (under / over performance)	Corrective measures
Promote Skills enhancement	Number of Training Report submitted to LGSETA	2009/10 training Report submitted.	1 by 30 June 2012	One (1) Annual Training Report has been compiled and submitted to LGSETA on the 30 June 2012.	N/A	N/A
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	Number of training programmes for ward committees	New		5 training programmes took place on the following dates:	The target was achieved; however not as per targeted dates This was due to a delay in the identification of the training by the ward committee members.	To ensure that the training needs are identified at the planning of the SDBIP, to ensure that they are achieved as planned.
				1. 21 st – 25 th November 2011;		
				2. 13 th – 16 th March 2012 and		
				3. 19 th – 26 th March 2012		
				4. Computer literacy level 1 by DC Dynamic College of Commerce & further Training on the 16 th – 26 th April 2012		
				5. Computer training by DC Dynamic College of Commerce & further Training on the 17 th – 28 th April 2012		
	<i>Budget (R)</i>	<i>R 0</i>	<i>R 350 000</i>	<i>R 191 000</i>	<i>Delay in the identification of training needs resulted in less needs identified which then resulted in the budget not utilized as anticipated</i>	<i>Refer above</i>
Promote Technology Efficiency	% review of the Operational Disaster Recovery and Business Continuity Plan	DRBCP adopted by Council	100% 30 June 2012	100% reviewed Operational Disaster Recovery and Business Continuity Plan by June 2012	N/A	N/A
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Promote	Number of reports on updating of website	Functional Website	12	12 reports compiled on updating of the website	N/A	N/A
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	Number of Reports on maintenance of IT Systems Administration	Functional	12 by 31 June 2012	The IT systems administration was maintained on 12 monthly basis with regard to backups made, viruses found and deleted by antivirus installed, new email accounts and pastel accounts created, created and provided officials with telephone pin.	N/A	N/A
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance / challenges (under / over performance)	Corrective measures
Technology Efficiency	% installation of the Electronic surveillance system in the main municipal buildings	New	100% by 31 May 2012	The electronic surveillance system not installed.	Delay in the procurement process.	A service provider has been identified through tender process; however it has not yet signed the contract with the Municipality. However the service provider confirmed that upon receiving the appointment letter it will speed up the installation process
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	% development of the IT Master Plan	New	100% by 31 March 2012	IT Master Plan 100% developed.	N/A	N/A
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Achieve a positive and productive employee climate	% launching of the Employee Assistance Programme	Ad Hoc EAP	100% by December 2011	The Employee Assistance Programme was launched by December 2011	N/A	N/A
	<i>Budget (R)</i>		<i>R 300 000</i>	<i>R135 090</i>	<i>Less budget utilized than anticipated</i>	<i>None</i>
	Number of Local Labour Forum meetings	Functional LLF	6 LLF Meetings	06 LLF meetings were held on the following dates:	6 meetings were held as targeted for, however they were not held on the targeted date due to more labour issues that had to be dealt with in the first and second quarters.	To ensure that in the future the meetings are held on the planned date.
				1. 29 July 2011		
				2. 08 September 2011		
				3. 12 September 2011		
				4. 01 November 2011		
				5. 19 December 2011		
				6. January 2012		
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	% disciplinary matters handled in compliance with the bargaining council directives	Existing	100% as they occur	The following disciplinary matters were 100% handled in compliance with the bargaining council directives and the cases are still ongoing:	N/A	N/A
				1. Mr. Letsapa (previous Director Technical Services) dismissed due to fraud allegations		
				2. Mr. Motoko (previous Municipal Manager) dismissed due to insubordination		
				3. Mr. Menwe (previous Assistant Director LED) suspended for fraud		
				4. Mr. Sejake (previous LED Manager) resigned before disciplinary hearing		
	<i>Budget (R)</i>	<i>R 0</i>	<i>R 2 209 104</i>	<i>R 1 380 304.55</i>	<i>The cases are still ongoing and not complete as anticipated. Therefore the budget was not fully utilized.</i>	<i>None</i>

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance / challenges (under / over performance)	Corrective measures
	% review of Grievance procedures and systems	Existing	100% by 30 June 2012	100% reviewed Grievance Procedures and Systems as per bargaining council directive.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% achievement of Employment Equity Targets per EE plan	2010/2011 Plan	100% by 30 June 2012	100% Employment Equity achieved by June 2012 as follows: 45% Female desired (Actual employed is 49 Women resulting in 35%) 100% African desired (Actual employed 100% black) 0.01%desired (Actual employed 2 People with Disabilities resulting in 1%)	There is still a challenge in appointing more female to achieve the 45% as per the EE plan, due to more women not applying for the advertised posts.	To give workshops on the EE plan to ensure that the community of Ratlou is aware of the target that the Municipality desires to achieve with regard to Employment Equity.
	Budget (R)	N/A	N/A	N/A		
Promote Institutional Governance	Number of Human Resources Policies reviewed	Existing internal policies	21	4 HR policies were reviewed and adopted by council on the 31 st of January 2012 (recruitment policy, leave policy, internship / experiential policy and complaints handling policy)	Delay was due to the delay in the procurement process which resulted in the service provider being appointed late in May 2012 to assist with the development of the HR Strategy which will be used to inform what policies to be reviewed	To ensure that the HR Strategy is prioritized to be approved at the next council meeting in order to speed up the process of reviewing the policies
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	% revision of the delegation system	Existing Delegation System	100% by 31 December 2011	The delegation system was 100% revised in December 2011; however it was approved on the 14 March 2012 (resolution number 11B/2012)	The next council meeting was held in January 2012; however the system was still not approved then. The delay was due to too many issues that needed to be prioritized in the council meeting that was held in January 2012. As a result it was moved to be approved in March 2012 council meeting.	The system was approved in March 2012
	Budget (R)	N/A	N/A	N/A	N/A	N/A
Promote Institutional Governance	% development of the Fleet Management Policy	New	100% by 31 December 2011	Fleet Management Policy was not developed. However there is an existing fleet management policy that still needs to be reviewed.	Delay in the procurement process to appoint a service provider to assist with the development of the HR Strategy which will be used to inform what policies to be reviewed	To inform procurement to speed up the process.
	Budget (R)	N/A	N/A	N/A	N/A	N/A
Promote sound municipal planning and performance management	% and period of the IDP adopted	2010/11 IDP	100% 2011-2016 by 31 May 2012	The 2011 – 2016 IDP was adopted by council on the 14 March 2012 per resolution number 11/2012.	The IDP was initially adopted as planned; however the newly elected council rejected the IDP on its previous form.	A service provider was since appointed to develop another IDP as per the correct format governed by legislative acts and revised targets.

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance / challenges (under / over performance)	Corrective measures
systems	<i>Budget (R)</i>	<i>R 300 000</i>	<i>R 870 000</i>	<i>R 688 680</i>	<i>The other budget was used for catering of the IDP forum meeting to discuss the IDP</i>	<i>None</i>
Promote sound municipal planning and performance management systems	% and period of the PMS Framework developed and implemented	New	100% 2011/12 by 31 May 2012	The draft PMS policy framework was developed and adopted by 31 January 2012 per resolution 06/2012 and the final PMS framework by 30 March 2012 per resolution 19/2012 and it was indicated that it will be implemented by 01 July 2012.	Community consultations were necessitated as the previous policy did not take this consideration	Implementation of policies in line with legislation and regulations consistently.
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	Number of Quarterly Service Delivery and Budget Implementation Reports submitted to council	2010/11 Reports submitted	4	4 Quarterly Service Delivery and Budget Implementation Reports submitted to council.	N/A	N/A
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	% and period of the Mid-Year Budget and Performance Assessment Report and Adjustment Budget submitted to council	2010/11 Adjustment Budget adopted	100% 2011/12 before 31 January 2012	The 2011/12 mid-year budget and performance assessment report as well as the adjustment budget were submitted to council for adoption on the 31 January 2012 per resolution number 04/2012	None	None
	<i>Budget (R)</i>	<i>R 300 000</i>	<i>R 300 000</i>	<i>R 286 880</i>	<i>The budget variance not material</i>	<i>None</i>
	Number of Quarterly performance assessment of senior managers	2010/11 performance assessment done	4	No performance assessments were performed for Senior Managers.	None achievement was due to a lot of change in Senior Management positions	To ensure that the assessments are done in the 2012/13 financial year
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	% and period of the Annual Report submitted to Council	2009/10 Annual Report submitted	100% before 31 January 2012	The final 2010/11 Annual Report was noted by council on the 31 January 2012 per council resolution 02/2012 and that after public participation be submitted to MEC for Developmental Local Government and Traditional Affairs in the province and the Office of the Auditor-General	None	None
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	% and period of the Oversight Report adopted by Council	2010/11 Oversight Report adopted	100% before 31 March 2012	The oversight report was adopted by council on the 30 March 2012 per resolution no. 15/2012 after the council had fully considered the annual report of the Municipality.	None	None
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance / challenges (under / over performance)	Corrective measures
	Number of internal audit reports submitted to council	New		<div> <div></div> <div>The internal Audit Unit was established in May 2012 and 3 internal audits were conducted:</div> <div>4</div> <div> <div>1. Follow up of the Auditor General issues</div> <div>2. Transfer payments – Municipal Infrastructure Grant</div> <div>3. Supply Chain Management</div> </div> </div>	The post was advertised in May 2012 and Audit Committee advert applicants response was poor	None
	<i>Budget (R)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

CHAPTER 5 MUNICIPAL FINANCIAL VIABILITY

5.1. Introduction

The financial viability and management of municipalities is central to building sustainable and effective municipalities.

Ratlou Local municipality is predominantly rural in nature. It has no tax base except for rateable properties in terms of the Property Rates Legislation. There is however a great potential to proclaim certain portions of land which have been given to the municipality by Dikgosi.

The existence of the mines in the area indicates a good chance for the municipality in future to be semi-urbanised and develop built-up areas. The municipality owns a shopping complex which is currently under-managed. The aim is to rehabilitate the complex into a mixed type development in order to leverage its commercial potential.

5.2. Key Financial Highlights

5.2.1. Debtors Age Analysis by Income Source

Detail	+365 days	121 - 365 days	91 - 120 days	61 – 90 days	31 - 60 days	Current	Total Balance	Bad debts
Rental	R938 906.00	R154 612.00	R27 504.00	R28 59.00	R51 195.00	R91 915.00	1 292 729.00	R 0.00
Consumer rates and taxes	R1 322 354.00	R1 851 412.00	R 0.00	R 0.00	R 0.00	R 0.00	R 3 173 766.00	R1 953 627.00
Total Income by source	R2 261 260.00	R2 006 024.00	R27 504.00	R27 504.00	R28 597.00	R91 915.00	R4 466 495	R1 953 627.00

5.2.2. Investment Portfolio Analysis

Detail	Market Value as at 1 July 2011	Changes to the Investment Portfolio during the reporting period					Market Value of Investment as at 30 June 2012
		Transfers	Interest Received		Withdrawals	Bank Charges	
Money Market, AC No: 62032709993	R 4,026,819	R67,000,000	1,442,745.95		R 7,000,002.5	R 751.50	R246,8791.43
Rural Housing: AC. No:6215917499	R 0	-	-		-	-	-
Sports & Culture Account: AC.No:62159137978	R 90,667	-	R 31 039.88		-	-	R93,806.72
Infrastructure Account, 62159138299	R5,817,745	R13,000,000	R434,874.76		R18,000,000	R 35.00	R1,271,233.19

5.3. Grants Received

The Grants that are promulgated in the Government Gazette (NO. 32882) for transfers to the Ratlou Local Municipality were received as follows:

GRANT ALLOCATION	2011/2012	JUL '11	AUG '11	SEPT '11	OCT '11	NOV '11	DEC '11	JAN '12	FEB '12	MAR '12	APR '12	MAY '12	JUNE '12
Equitable Share Allocation	59 576 000	24 823 000				19 859 000				14 894 000			
Schedule (3)													
Recurrent Allocation Schedule (5)													
Local Government Financial Man. Grant	1 500 000	1 500 000											
Municipal Systems Improvement Programme	790 000						790 000						
Municipal Health service													
Community Service Department													
NHC Grant	149 682									149 682			
LG SETA	140 077	23 155		12 908		18 498		43 615		32 469		9 431	
District : Free Basic Services (Water)													
Rent													
Own Revenue (Investment)													
Library Grant	750 000								750 000				
Infrastructure Allocation (Schedule 6)													
Local Economic Dev. Prog. Grant													
Valuation Roll													
Municipal Infrastructure Grants	18 073 000	12 253 000					4 740 000			1 080 000			
MIG - Additional Funds													
Rural Housing Projects/Roll over													
Sports, Arts & Culture													
Allocations- in-kind (Schedule 7)													
EPWP Grant	295 000									295 000			
Water Ser. Projects(DWARF)													
TOTAL	81 273 759	38 599 155	0	12 908	0	19 877 498	5 530 000	43 615	750 000	16 451 151	0	9 431	0

5.4. Performance Highlights of Municipal Financial Viability

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over)	Corrective measures
Maintain sound and sustainable financial management	% compliance of the 2010/11 asset register with GRAP 17	GRAP compliant Asset Register	100% by 31 August 2011	100% compliant asset register with GRAP 17 was compiled and submitted with the 2010/11 AFS by 31 august 2011	N/A	N/A
	Budget (R)	R 0	R310 000.00	R 373 841	More asset work had to be done than anticipated	None
Promote financial accountability	Number of section 71, monthly budget statements submitted to council	Up to date	12	Section 71 - Monthly budget reports for the period 01 July 2011 to 30 June 2012 were prepared and reports for first, second and third quarters have been presented to council. However the reports for the fourth quarter (April 2012 – June 2012) have not yet went to council.	The next council meeting will only be held in August 2012; in which the fourth quarter reports will be submitted for approval.	To ensure that the reports form part of the council meeting agenda
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	Number of section 11, quarterly financial reports submitted to council	Up to date	4	Section 11- Withdrawals Report for the period 01 April 2012 to 30 June 2012 were prepared and reports for first, second and third quarters have been presented to council. However the reports for the fourth quarter (April 2012 – June 2012) have not yet went to council.	The next council meeting will only be held in August 2012; in which the fourth quarter reports will be submitted for approval.	To ensure that the reports form part of the council meeting agenda
	Budget (R)	N/A	N/A	N/A	N/A	N/A
				12 budget policies approved by Council on 31 January 2012.		
				· Acting allowances		
				· Appointments of consultants		
				· Approval of budget policy		

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over)	Corrective measures
	% adoption of the budget policies	New	100% by 31 March 2012	· Cash Management & Investments policy	N/A	N/A
				· Cellular phones policy		
				· Credit control and Debt collection policy		
				· Indigent support		
				· Funding and Reserves policy		
				· Supply Chain Management		
				· Virements policy		
				· Fixed Assets policy		
				· Tariffs policy		
	Budget (R)	N/A	N/A	N/A	N/A	N/A
Promote financial accountability	Number of budget meetings held	2	4	Four (4) Budget Steering Committee Meetings were held.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	2010/11 Annual Financial Statements submitted to council	Up to date	2011/08/31	2010/11 Annual Financial Statements were prepared and submitted on time to council by 31 August 2011	N/A	N/A
	Budget (R)	R 0	700 000.00	R 895 716	More work had to be done than anticipated	None
	Tabling of 2011/12 Adjustment budget submitted to council	Up to date	100% by January 2012	Adjustment budget was tabled and submitted to council on the 31 January 2012 resolution no: 5/2012.	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over)	Corrective measures
Enhance and maximize revenue collection	% collection of revenue	Decreased ROI	100%	44% of the revenue was collected from rental and electricity debtors.	The debtors did not respond as anticipated; however as a Municipality we played our role by exercising controls in issuing statements to them for amounts due on a monthly basis	Follow ups are in place which include issuing the debtors with statements which show the amounts due and from what date they are due.
	Budget (R)	N/A	N/A	N/A	N/A	N/A
Achieve a clean audit report	% development of the action plan to address 2010/11 Audit Report queries	Unqualified audit opinion	100% by January 2012	<u>The action plan was 100% developed to address the following issues;</u>	N/A	N/A
				<u>1. Unauthorized, irregular and fruitful expenditure</u> for 2011/2012 –All unauthorized and irregular expenditure are in the process of being corrected and reported to council.		
				<u>2. Procurement and contract management</u>		
				a) The procurement system has been reviewed as all tender documents and contracts for 2011/2012 were signed and approved to ensure compliance with MFMA. b) A register for employees for declaration of interest was developed.		

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over	Corrective measures
				<p>3. <u>Predetermined objectives</u> - IDP service provider was appointed to correct the Performance indicators to be in line with the Framework for Programme Performance Information</p> <p>4. <u>Revenue</u> -</p> <p>a) Credit control and Debt collection policy were amended and reviewed by the council</p> <p>b) All payments received under income have been reconciled to the income and to the incurred expenses on the general ledger.</p>		
	Budget (R)	N/A	N/A	N/A	N/A	N/A



REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE RATLOU LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Ratlou Local Municipality set out on pages [XX] to [XX], which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ratlou Local Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and the DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 28 to the financial statements, the corresponding figures have been restated as a result of an error discovered in the financial statements of the Ratlou Local Municipality at, and for the year ended 30 June 2012.

Material impairments

9. As disclosed in note 2 to the financial statements, a material impairment of R 4 340 288 was incurred as a result of the impairment of trade debtors.

Unauthorised, irregular and fruitless and wasteful expenditure

10. As disclosed in note 30.2 to the financial statements, irregular expenditure of R22 993 599 was incurred in the current year.
11. As disclosed in note 30.3 to the financial statements, unauthorised expenditure of R8 081 136 was incurred in the current year.

Material underspending of conditional grants

12. As disclosed in notes 17.4 and 17.9 to the financial statements, the municipality has materially underspent the Municipal Infrastructure Grant by R6 390 206 (2011: R 3 321 168) and the Ngaka Modira Molema District Municipality Grant by R2 712 757 (2011: R2 973 787). As a consequence, the municipality has not achieved its objectives with regards to the purposes of these grants.

Additional matter

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

14. The supplementary information set out on pages [XX] to [XX] does not form part of the financial statements and is presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages [XX] to [XX] of the annual report.
17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme



performance information (FMPPI).

18. The reliability of the information in respect of the selected development priorities was assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
19. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

20. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below.

Achievement of planned targets

21. Of the total number of 83 planned targets, only 47 were achieved during the year under review. This represents 43% of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows.

Strategic planning and performance management

23. . The municipality did not afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan was submitted to council for adoption, as required by regulation 15(3) of the Municipal Planning and Performance Management Regulations, 2001 (MPPMR).
24. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players as required by section 38, 39, 40 and 41 of the MSA read with regulations 7 and 8 of the MPPMR.
25. . The municipal council did not adopt within prescribed time after the start of its elected term, an integrated development plan as required by section 25 of the MSA.
26. . The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.

Annual financial statements and annual performance report

27. The financial statements submitted for audit were not in all material respects prepared in accordance with the requirements of section 122 of the MFMA. Material misstatements of unauthorised expenditure, irregular expenditure and disclosure notes identified by the auditors were subsequently corrected.
28. The municipality did not make public the oversight report within 7 days after the 2010/2011 annual report has been adopted by the council as required by section 129(3) of the MFMA.

Audit committee

29. An audit committee was not in place, as required by section 166(1) of the MFMA.
30. A performance audit committee was not in place as required by regulation 14(2)(a) of the MPPMR.



Internal audit

31. An internal audit unit was not established and functioning for the majority of the financial year, as required by section 165 of the MFMA.

Expenditure management

32. The accounting officer did not take effective steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Conditional grants

33. The municipality did not evaluate its performance in respect of programmes funded by the allocation to the transferring national officer within two months after the end of the financial year, as required by section 12(6) of the DoRA.
34. The municipality did not timeously submit project registration forms for projects it intended implementing in the financial year under review, to the department of local government, as required by the Division of Revenue Grant Framework, Gazette No.34280.
35. The municipality did not timeously submit project implementation plans to the national department (Department of Cooperative Governance and Traditional Affairs), as required by the Division of Revenue Grant Framework, Gazette No.34280.
36. The municipality did not submit MFMA implementation plans to National Treasury to address weaknesses in financial management, as required by the Division of Revenue Grant Framework, Gazette No.34280.

Revenue management

37. Interest was not charged on all accounts in arrears as required by section 64(2)(g) of the MFMA.

Procurement and contract management

38. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
39. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by SCM regulations 17(a) and (c).
40. . Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
41. . Awards were made to providers who are persons in service of other state institutions or whose directors/ principal shareholders are persons in the service of other state institutions, in contravention to SCM regulation 44.
42. Construction projects were not always registered with the CIDB, as required by section 22 of the CIDB Act and CIDB regulation 18.
43. Construction contracts were awarded to contractors that did not qualify for the contract in accordance with CIDB regulations 17 and 25(7A).

Human resource management

44. . The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by the Regulations on Minimum Competency Levels regulation 14(2)(a).

Waste management



45. . The municipality operated their waste disposal site without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) (NEMWA) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).
46. . The municipality's waste management and disposal activities contravened or failed to comply with the requirements of section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and sections 16(1)(c)&(d) and 26(1)(b) of the NEMWA.

Internal control

47. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

48. Sound integrity and ethical values to promote a culture of honesty, with ethical business practices and good governance, protecting and enhancing the best interests of the entity are not understood and implemented in order to set the standard to ensure compliance with laws and regulations.
49. Adequate oversight responsibility regarding compliance with laws and regulations was not exercised.
50. Effective HR management was not implemented, to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. An effective organisational structure for placing appropriately skilled people was not in place and there was a lack of continuity in key management positions.

Financial and performance management

51. Management's internal controls and processes over the preparation and presentation of financial statements were not able to ensure that the financials were free from material misstatements. As a result, material corrections had to be made.
52. Policies and procedures are not adequately implemented to enable and support understanding and execution of internal control objectives, processes, and responsibilities. Furthermore, policies and procedures are not adequately communicated, to ensure that all officials understand the operating thereof and can implement the procedures as required.
53. Management did not adequately design and implement formal controls to review and monitor compliance with applicable laws and regulations.

Governance

54. The municipality did not ensure that there is an adequately resourced and functioning internal audit unit throughout the year that identifies internal control deficiencies and recommends corrective action effectively. The internal audit was established but not functional for the majority of the current financial year.
55. The municipality did not ensure that the audit committee exists that promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

OTHER REPORTS

Investigations

56. The Hawks are conducting an investigation into matters relating to procurement and contract



management at the municipality. The investigation was still ongoing at the reporting date.

Auditor General.

Rustenburg

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence





RATLOU LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Annual Financial Statements

for

Ratlou Local Municipality

for the year ended 30 June 2012

Province:

North West

Contact Information:	
Name of Municipal Manager:	Glen Lekomanyane
Name of Chief Financial Officer:	B Mabe (Acting)
Contact telephone number:	018 330 7000
Contact e-mail address:	b_mabe@hotmail.com
Name of contact at provincial treasury: Acting Chief Director	Lomax Gopane
Contact telephone number:	018 388 4221/4
Contact e-mail address:	Lomax_Gopane@nwpg.gov.za
Name of relevant Auditor:	Auditor General(Lesego Motlhamme)
Contact telephone number:	014 597 9719.079 694 9525
Contact e-mail address:	LesegoM@agsa.co.za
Name of contact at National Treasury:	Matsie Sehlabelo
Contact telephone number:	012 315 5295
Contact e-mail address:	matsie.sehlabelo@treasury.gov.za

Ratlou Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

V.P Mance
M.R. Mongala
P.P. Mokgosi
J. Mongale
M. Kumalo
O. Seabelo
K.V Shomolekae
M Bank
J.Lebelela
M.Sedia
L Boikanyo
D.Ditau
G Boikanyo
M.I Lentswe
M Kobela
G Ncoane
K.M. Leepile
J Gaobotse
A Matebele
L Bees
D Rankokwadi
S Lekukane
D Molaolwa
M Dala
F Galetlhobogwe
F Moshweu
L Sekwati
K.Gaosirwe

Mayor

Speaker

Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member
Member
Member
Member
Member
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Member
Member
Member
Member
Member

Municipal Manager

G Lekomanyane

Chief Financial Officer

B Mabe (Acting)

Grading of Local Authority

Grade 1 (NW 381)

Auditors

Auditor-General

Bankers

First National Bank: Stella Branch

Registered Office:

Municipal Offices

Physical address:

DeLareyville Road
Next to Setlagole Library
Setlagole

Postal address:

Private Bag X209
Madibogo
2772

P O Box 494
Stella
8650

Telephone number:

018 330 7000

Fax number:

018 330 7019

E-mail address:

b_mabe@hotmail.co.za

Ratlou Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 62, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer

31-Aug-2012

Ratlou Local Municipality
ANNUAL FINANCIAL STATEMENTS
#REF!

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

These annual financial statements for 2011/12 have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

2. BUDGET

Council approved a capital budget of **R22 918 000.00** and operational budget of **R60 181 000.00** for the 2011/2012 financial year. A further amount of **R40 532 462.00** was approved in an adjustments budget

3. OPERATING RESULTS

Revenue for the current year has increased from **R70 809 687.00** in the previous year to **R82 610 419.00** in the current year, representing a 17% increase.

4. CAPITAL COMMITMENTS

Capital commitment increased from **R 9 047 644.00** to **R13 673 111.00** which represents an increase of 51%.

5. INVESTMENTS

On 30 June 2012 investments amounted to **R 3 815 183.00**. The amount decreased with **R6 120 048.00** from the prior year.

6. CASH

At 30 June 2012, cash amounted to **R30 382 602.00**. The amount increased with **R1 484 573.00** from the prior year.

7. PROVISIONS

Provisions of **R2 449 618.00** were made for in the 2011/12 financial year.

8. APPRECIATION

My appreciation goes to the Mayor, the Speaker, the Chief Whip, Councillors, the Municipal Manager, Executive Managers, Managers and the staff for their support and cooperation received during the year.

I wish to convey a special work of appreciation to all the staff members who assisted me during the compilation of the financial statements for their dedication and hard work, as well as to all the employees of Ratlou Local Municipality.

Chief Financial Officer

31-Aug-12

Ratlou Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

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Ratlou Local Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	24 830 661	33 170 594
Trade and other receivables from exchange transactions	2	126 325	220 059
Other receivables from non-exchange transactions	3	166 879	135 736
VAT receivable	9	10 323 850	5 631 569
Inventories	5	396 286	302 674
Prepayments	6	1 556 321	1 699 970
Non-current assets			
Property, plant and equipment	4	127 718 921	114 730 940
Investment Property	7	16 680 000	13 600 000
Total assets		181 799 243	169 491 542
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	8	5 563 675	3 500 400
Current portion of unspent conditional grants and receipts	10	9 255 797	6 305 842
Current Provisions	11	10 609	9 764
Non-current liabilities			
Non-current provisions	12	979 928	914 187
Total liabilities		15 810 009	10 730 192
Net assets			
NET ASSETS			
Accumulated surplus / (deficit)	27	165 989 234	158 761 349
Total net assets		165 989 234	158 761 349

Ratlou Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012

	Note	2012 R	2011 R
Revenue			
Property Rates	15	2 035 765	1 270 411
Rental of facilities and equipment	13	718 928	1 009 505
Interest earned	14	1 989 064	1 717 501
Government grants and subsidies	17	78 323 804	66 616 827
Other income	16	150 821	104 047
Total revenue		83 218 384	70 718 291
Expenses			
Employee related costs	18	23 385 320	17 006 351
Remuneration of councillors	19	7 540 626	6 786 296
Bad debts		1 953 627	1 980 651
Depreciation and amortisation expense	20	5 730 611	5 214 758
Finance Costs		15 178	2 585
Repairs and maintenance		1 357 984	3 354 531
Grants and subsidies paid		1 200 000	-
Contracted services	21	4 960 239	3 294 574
General Expenses	22	31 480 272	17 577 085
Total expenses		77 623 856	55 216 830
Gain / (loss) on sale of assets	23	(779 277)	(277 722)
Profit / (loss) on fair value adjustment	24	2 412 636	800 000
Surplus / (deficit) for the period		7 227 887	16 023 738

Ratlou Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

		Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R
Balance at 30 June	2010	128 466 727	128 466 727
Surplus / (deficit) for the period		15 971 676	15 971 676
Correction of Prior Year Error	28	10 122 012	10 122 012
Transitional Provisions - Directive 4		4 200 933	4 200 933
Balance at 30 June	2011	158 761 349	158 761 349
Surplus / (deficit) for the period		7 227 887	7 227 887
Balance at 30 June	2012	28165 989 235	28165 989 235

Ratlou Local Municipality

CASH FLOW STATEMENT

as at 30 June 2012

	Note	2012	2011
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		84 463 265	75 780 674
Sales of goods and services		1 049 619	1 107 933
Grants		81 273 759	72 851 193
Working Capital Movements		-	-
Interest received		1 989 064	1 717 501
Prior year retained earnings adjustment		-	-
Other receipts		150 821	104 047
Payments		72 667 627	51 082 260
Employee costs		30 234 446	23 316 316
Working Capital Movements		-	-
Suppliers		41 218 003	27 763 359
Prior year retained earnings adjustment		-	-
Interest paid		15 178	2 585
Other payments		1 200 000	-
Net cash flows from operating activities	25	11 795 638	24 698 414
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(20 869 809)	(15 210 235)
Proceeds from sale of fixed assets		734 240	503 602
Net cash flows from investing activities		(20 135 569)	(14 706 633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		(8 339 932)	9 991 781
Net cash and cash equivalents at beginning of period		33 170 593	23 178 812
Net cash and cash equivalents at end of period	26	24 830 662	33 170 593

Ratlou Local Municipality

ACCOUNTING POLICIES

for the year ending 30 June

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) including any exemptions and directives issued by the accounting standards board (ASB).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<u>GRAP Standard</u>	<u>Effective date as determined by Minister of Finance</u>	<u>Possible Impact on the financial statements on initial application</u>
GRAP 18 - Segment Reporting	Unknown	Disclosure and presentation of specific and detailed information about the major activities (service and geographical) undertaken by the municipality, along with the resources allocated to these activities
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of nature and effect all related party transactions of management, their close members of family,
GRAP 21 - Impairment of non-cash generating assets	01-Apr-12	Full disclosure of nature and effect of impairment on non-cash generating assets
GRAP 23 - Revenue from non-exchange transactions		Full disclosure of nature and effect of revenue from non-exchange transactions
GRAP 24 - Presentation of Budget Information in Financial Statements	01-Apr-12	Disclosure in the notes to the AFS on budget vs actual expenditure information for comparative purposes
GRAP 25 - Employee Benefits	Unknown	Full disclosure on employee short term benefits (undiscounted), post retirement benefits (discounted) including actuarial assumptions
GRAP 26 - Impairment of cash generating assets	01-Apr-12	Full disclosure of nature and effect of impairment on cash generating assets
GRAP 27 - Agriculture	Replaces GRAP 101	Full disclosure of nature and effect of agricultural assets
GRAP 31 - Intangible Assets	Replaces GRAP 102	Full disclosure of nature and effect of Intangible Assets
GRAP 103 - Heritage Assets	01-Apr-12	Full disclosure of nature and effect of Heritage Assets
GRAP 104 - Financial Instruments	01-Apr-12	Full disclosure of nature and effect of Financial Instruments
GRAP 105 - Transfer of functions between entities under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities within the same sphere of government.
GRAP 106 - Transfer of functions between entities not under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities not within the same sphere of government.

GRAP 107 - Mergers	Unknown	Full disclosure of the nature and effect of the two entities that are now combined through a merger.
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2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure

Roads and Lights	10-40
Water Pipelines	25-50
Reservoirs	30-55
Sewerage structures	25-30
	10-55

Community

Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30

Other

Buildings	30
Office equipment	7
Furniture and fittings	7
Emergency equipment	5
Computer equipment	5
Motor Vehicles	5-10
Other assets	4-10

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Standard of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

> Intangible assets are initially recognised at cost.

> Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

> Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer	software
	5

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises. Fair value determinations are carried out at regular intervals.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 RETIREMENT BENEFITS

Defined Contribution Plan

The municipality provides retirement benefits for its employees and councillors

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions

16 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

17 HERITAGE ASSETS

17.1 INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

17.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses

17.3 DEPRECIATION AND IMPAIRMENT

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

17.4 DERECOGNITION

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Ratlou Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS			
<u>Cash and cash equivalents consist of the following:</u>			
Cash on hand		2 708	2 738
Cash at bank		24 893 328	33 238 777
Credit Card		0	44 680
Petrol Card		(65 376)	-
		24 830 661	33 286 195
 <u>Cash at bank</u>			
The Municipality has the following bank accounts: -			
Current Account (Primary Bank Account)			
<i>First National Bank : Account Number 62023653042</i>			
Cash book balance at beginning of year		23 303 546	19 692 960
Cash book balance at end of year		21 078 123	23 303 546
Bank statement balance at beginning of year			
Bank statement balance at end of year		30 382 602	28 898 029
 Call Deposit - Money Market Account			
<i>First National Bank : Account Number 62032709993 @ 3.91% interest</i>			
Cash book balance at beginning of year		4 026 820	2 762 864
Cash book balance at end of year		2 468 814	4 026 820
Bank statement balance at beginning of year			
Bank statement balance at end of year		2 468 791	4 026 820
 Call Deposit - Sports, Arts and Culture Grant			
<i>First National Bank : Account Number 62159137978 @ 3.41% interest</i>			
Cash book balance at beginning of year		90 667	87 363
Cash book balance at end of year		93 807	90 667
Bank statement balance at beginning of year			
Bank statement balance at end of year		93 807	90 667

Call Deposit - Infrastructure Grant*First National Bank : Account Number 62159138299 @ 3.91% interest*

Cash book balance at beginning of year	5 817 744	595 982
Cash book balance at end of year	1 252 584	5 817 744
Bank statement balance at beginning of year		
Bank statement balance at end of year	1 252 585	5 817 744

Credit Card

First National Bank : 8812710003277006

Cash book balance at beginning of year	44 680	5 374
Cash book balance at end of year	0	44 680
Bank statement balance at beginning of year		
Bank statement balance at end of year	-	322

Petrol Card

Wesbank : 80936

Cash book balance at beginning of year		-
Cash book balance at end of year	(65 376)	-
Bank statement balance at beginning of year		
Bank statement balance at end of year	(65 376)	-

Cash on hand

2 708 2 738

Total cash and cash equivalents**TRADE AND OTHER RECEIVABLES FROM EXCHANGE
2 TRANSACTIONS**

	Gross Balances	Provision for Doubtful Debts	Net Balance
<u>Trade receivables</u>			
as at 30 June 2012			
Rates	3 173 877	(3 160 391)	13 486
Rental	1 292 736	(1 179 897)	112 839
Total	4 466 613	(4 340 288)	126 325
as at 30 June 2011			
Rates	1 586 550	(1 576 482)	10 069
Rental	1 190 232	(982 718)	207 514
Total	2 776 782	(2 559 199)	217 583

as at 30 June 2012

Rates: Ageing

Current (0 – 30 days)	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-
91 - 120 Days	-	-	-
121 - 365 Days	1 851 412	(1 838 076)	13 335
+ 365 Days	1 322 354	(1 322 314)	40
Total	3 173 766	(3 160 391)	13 375

as at 30 June 2012

Rental: Ageing

Current (0 – 30 days)	91 915	(26 829)	65 086
31 - 60 Days	51 195	(33 683)	17 512
61 - 90 Days	28 597	(20 924)	7 673
91 - 120 Days	27 504	(23 941)	3 562
121 - 365 Days	154 612	(136 191)	18 421
+ 365 Days	938 906	(938 328)	578
Total	1 292 729	(1 179 897)	112 833

Summary of Debtors by Customer Classification**Consumers**

Current (0 – 30 days)	91 915	83 626
31 - 60 Days	51 195	72 557
61 - 90 Days	28 597	55 150
91 - 120 Days	27 504	89 616
121 - 365 Days	2 006 024	1 448 332
+ 365 Days	2 261 260	857 439
Sub-total	4 466 496	2 606 720
Less: Provision for doubtful debts	(4 340 288)	(2 559 199)
Total debtors by customer classification	126 207	47 521

Reconciliation of the doubtful debt provision

Balance at beginning of the year	(2 559 199)	(578 549)
Contributions to provision	(1 781 089)	(1 980 650)
Doubtful debts written off against provision	-	0
Reversal of provision	-	0
Balance at end of year	(4 340 288)	(2 559 199)

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Fruitless and Wasteful Expenditure	30.1	-	-
Irregular Expenditure	30.2	-	-
Other debtors		166 879	158 595
Total Other Debtors		166 879	158 595

Ratlou Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

4 PROPERTY, PLANT AND EQUIPMENT

4.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Total
	R	R	R	R	R	R	R
as at 1 July 2011	801 951	16 283 039	16 233 213	73 967 986	-	7 444 751	114 730 942
Cost/Revaluation	801 951	18 756 158	16 598 183	82 475 249	-	9 684 308	128 315 849
Accumulated depreciation and impairment losses	-	(2 473 119)	(364 969)	(8 507 264)	-	(2 239 557)	(13 584 907)
Acquisitions	-	199 525	559 786	10 640 027	-	4 191 451	15 590 788
Capital under construction (capitilised)				(4 933 927)			(4 933 927)
Capital under Construction	-	-	6 097 990	3 447 594	-	-	9 545 584
Other Movements*	29 663	-	-	-	-	-	29 663
Depreciation	(32 078)	(630 979)	(376 472)	(2 639 136)	-	(2 051 946)	(5 730 611)
Carrying value of disposals	-	-	-	-	-	(1 513 517)	(1 513 517)
Cost/Revaluation	-	-	-	-	-	(2 458 218)	(2 458 218)
Accumulated depreciation and impairment losses	-	-	-	-	-	944 702	944 702
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
as at 30 June 2012	799 537	15 851 584	22 514 517	80 482 544	-	8 070 739	127 718 921
Cost/Revaluation	831 615	18 955 683	23 255 958	91 628 943	-	11 417 541	146 089 740
Accumulated depreciation and impairment losses	(32 078)	(3 104 098)	(741 441)	(11 146 399)	-	(3 346 802)	(18 370 818)

Refer to Appendix A for more detail on property, plant and equipment

for motor vehicles) were assessed at zero, as the economic life of these assets are greater than the useful life.

Ratlou Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

4.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Total
	R	R	R	R	R	R	R
as at 1 July 2010	-	16 708 938	13 160 323	63 735 200	-	7 285 519	100 889 981
Cost/Revaluation	-	18 558 938	13 207 403	69 746 410	-	8 205 012	109 717 763
Accumulated depreciation and impairment losses	-	(1 850 000)	(47 080)	(6 011 210)	-	(919 492)	(8 827 782)
Acquisitions	304 264	197 220	823 272	6 632 622	-	2 790 065	10 747 443
Capital under Construction	-	-	2 567 508	6 096 217	-	-	8 663 725
Other Movements*	497 687	-	-	-	-	-	497 687
Depreciation	-	(623 119)	(317 890)	(2 496 054)	-	(1 849 511)	(5 286 573)
Carrying value of disposals						(781 323)	(781 323)
Cost/Revaluation	-	-	-	-	-	(1 310 769)	(1 310 769)
Accumulated depreciation and impairment losses	-	-	-	-	-	529 446	529 446
Impairment loss/Reversal of impairment loss	-	-	-	-	-		
Transfers	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-
as at 30 June 2011	801 951	16 283 039	16 233 213	73 967 986	-	7 444 751	114 730 940
Cost/Revaluation	801 951	18 756 158	16 598 183	82 475 249	-	9 684 308	128 315 849
Accumulated depreciation and impairment losses	-	(2 473 119)	(364 969)	(8 507 264)	-	(2 239 557)	(13 584 909)

Refer to Appendix A for more detail on property, plant and equipment

Ratlou Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
5 INVENTORY			
Opening balance of inventories:		127 694	-
Consumable stores - at cost		127 694	-
Maintenance materials - at cost		-	-
Additions:		476 112	630 575
Consumable stores		456 095	630 575
Maintenance materials		20 017	-
Issued (expensed):		-382 500	-479 245
Consumable stores		-349 866	-479 245
Maintenance materials		-32 634	-
Closing balance of inventories:		221 306	151 330
Consumable stores		233 923	151 330
Maintenance materials		-12 617	-
<p>The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventories are measured at the lower of cost and net realisable value</p>			
6 PREPAYMENTS			
Prepaid Expense		1 556 321	1 571 895
<p><i>The majority of the prepaid expenses relates to the Insurance, SALGA membership fees and inventory for 2012/13 paid in advance</i></p>			
7 INVESTMENT PROPERTY CARRIED AT FAIR VALUE			
Setlagole Business Complex			
Balance at the beginning of the year		13 600 000	12 800 000
Acquisitions		667 364	-
Increase/(Decrease) in Fair Value		2 412 636	800 000
Impairment Loss		-	-
Balance at the end of the year		16 680 000	13 600 000
7.1 The Investment property has not been pledged as security			
7.2 Rental income from investment property		619 551	1 009 505
Direct operating expenses from rental generating property		435 915	998 158
7.3 Details of valuation			
<p>The effective date of the revaluations was August 2012. Revaluations were performed by an independent valuer, George Chelechele of Bokono Bophirima Property Values. Bokono Bophirima Property Values are not connected to the entity and have recent experience in location and category of the properties being valued. The valuation method was based on means of comparable sales. These assumptions are based on current market conditions.</p>			
8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		1 247 189	33 644
Other creditors		169 073	136 874
Staff Leave Accrual		1 674 431	1 188 121
Bonus Accrual		596 242	-
Retentions		1 876 739	1 372 440

Total creditors**5 563 675****2 731 079**

The fair value of trade and other payables approximates their carrying amounts.

The movement in current provisions are reconciled as follows:

as at 1 July 2011

Contributions to provision

Expenditure incurred

as at 30 June 2012**Staff Leave Accrual****Bonus Accrual**

1 188 121

-

1 114 085

1 384 366

-627 775

-788 123

1 674 431**596 242****as at 1 July 2010**

Contributions to provision

Expenditure incurred

as at 30 June 2011

1 209 478

307 896

-

-

-21 357

-307 896

1 188 121**-****9 VAT RECEIVABLE**

VAT receivable

10 323 850

5 631 170

Total VAT receivables**10 323 850****5 631 170**

received from debtors.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**10.1 Unspent Conditional Grants from other spheres of Government**

Financial Management Grant

Ngaka Modiri Molema District Municipality Grant - Finance Interns

Municipal Infrastructure Grant

Sports, Arts and Culture - Library Grant

Municipal Systems Improvement Grant

LG Seta Grant

Expanded Public Works Programme Grant

Ngaka Modiri Molema District Municipality Grant - Free Basic Water

Ngaka Modiri Molema District Municipality - Municipal Health Service Grant

National Heritage Grant

152 834

-

71 475

6 390 206

3 321 168

-

-

-

-

-

10 887

-

-

2 712 757

2 973 787

-

-

-

-

Total Unspent Conditional Grants and Receipts**9 255 797****6 377 316****Current portion of unspent conditional grants and receipts****9 255 797****6 377 317**

See Note 17 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

11 CURRENT PROVISIONS

Current portion of long service awards

10 609

-

Rehabilitation of landfill sites

-

-

10 609**-**

Refer to note 12 for Non-Current Portions and Key Assumptions

12**12 NON-CURRENT PROVISIONS**

Provision for rehabilitation of landfill site

527 351

497 687

Provision for Long Service Awards

452 577

-

Total Provisions**979 928****497 687**

Reconciliation of Provisions and Key Assumptions

Provision for rehabilitation of landfill site

Opening Balance	497 687	-
Contributions to provision	29 663	497 687
Expenditure incurred		-
Closing Balance	527 351	497 687
Less: Transfer to Current Provision	-	-
Non-current Provision	527 351	497 687

Key Assumptions

The timing for the possible outflow of resources for the rehabilitation for the landfill site could not be determined at the date of the financial statements. The discount rate used to calculate the obligation at year-end was 5.96%

possible future obligation:

Environmental impact process for establishment of solid waste disposal site

Supply and operation of machinery to transfer refuse

Sloping and spreading of slopes and ground work, including manual hand labour

An estimated amount was calculated and an average discount rate of 5.96% as per SASTATS was used to calculate the obligation at year-end.

Provision for Long Service Awards

Opening Balance	426 264	392 284
Contributions to provision	36 923	33 980
Expenditure incurred	-	-
Closing Balance	463 187	426 264
Less: Transfer to Current Provision	(10 609)	(9 764)
Non-current Provision	452 577	416 500

Key Assumptions

It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

IAS19 stipulates that the choice of this rate should be derived from highquality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.5%per annum has been used. This rate does not reflect any adjustment for taxation.

This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.5% and 2.5% above CPI inflation. We assessed the general salary increases over the last 5 years and thus a general salary inflation rate of 8.662% per annum

13 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	718 928	1 007 332
Total rentals	718 928	1 007 332

14 INTEREST EARNED

Cash and Cash Equivalents	1 989 064	1 717 501
Total interest	1 989 064	1 717 501
account		

15 PROPERTY RATES

Actual

Residential	2 035 765	1 442 950
Total property rates	2 035 765	1 442 950
Property rates - penalties imposed and collection charges	-	-
Total	2 035 765	1 442 950

Valuations

Residential	1 863 473 331	1 486 341 265
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Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

A general rate of 0.2% (2009/10) is applied to property valuations to determine assessment rates. An average rebate of 26.25% are granted to residential owners and a further discount of 18.63% is also granted on the rates. Rates are levied on an yearly basis with the final date of payment being within 30 days.

Average of Discounts:

Rebate Average	26.25%
Phasing in (25%)	18.42%
Exemption	0.21%
Total Other Discounts	18.63%

16 OTHER INCOME

Tender Fees	113 784	76 316
Other Income	37 037	20 236
	150 821	96 552

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	17.1	59 576 000	49 310 290
Financial Management Grant	17.2	1 347 166	1 250 000
Ngaka Modiri Molema District Municipality Grant - Finance Interns	17.3	-	-
Municipal Infrastructure Grant	17.4	15 003 961	11 705 832
Sports, Arts and Culture - Library Grant	17.5	750 000	750 000
Municipal Systems Improvement Grant	17.6	790 000	750 000
LG Seta Grant	17.7	150 964	43 390
Expanded Public Works Programme Grant	17.8	295 000	-
Ngaka Modiri Molema District Municipality Grant - Free Basic Water	17.9	261 030	2 011 157
Ngaka Modiri Molema District Municipality - Municipal Health Service Grant	17.10	-	575 000
National Heritage Grant	17.11	149 682	149 682
Total Government Grant and Subsidies		78 323 804	66 545 352

17.1 Equitable Share

approved MTREF budget.	59 576 000	49 310 290
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17.2 Financial Management Grant

Balance unspent at beginning of year	-	
Current year receipts	(1 500 000)	(1 250 000)
Conditions met - transferred to revenue	1 347 166	1 250 000
Conditions still to be met - remain liabilities (see note 10)	(152 834)	-

This grant used to fund financial operations of the municipality

17.3 Ngaka Modiri Molema District Municipality Grant - Finance Interns

Balance unspent at beginning of year	(71 475)	(71 475)
Current year receipts	71 475	-

Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 10)	-	(71 475)

This grant is used to fund the payment of interns seconded to the municipality

17.4 Municipal Infrastructure Grant

Balance unspent at beginning of year	(3 321 168)	-
Current year receipts	(18 073 000)	(15 027 000)
Conditions met - transferred to revenue	15 003 961	11 705 832
Conditions still to be met - remain liabilities (see note 10)	(6 390 206)	(3 321 168)

to uplift the community.

17.5 Sports, Arts and Culture - Library Grant

Balance unspent at beginning of year	-	-
Current year receipts	(750 000)	(750 000)
Conditions met - transferred to revenue	750 000	750 000
Conditions still to be met - remain liabilities (see note 10)	-	-

This grant is used to for the library function and purchases in Setlagole

17.6 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	(790 000)	(750 000)
Conditions met - transferred to revenue	790 000	750 000
Conditions still to be met - remain liabilities (see note 10)	-	-

This grant is used to fund the financial operations of the municipality

17.7 LG Seta Grant

Balance unspent at beginning of year	(10 887)	-
Current year receipts	(140 077)	(54 277)
Conditions met - transferred to revenue	150 964	43 390
Conditions still to be met - remain liabilities (see note 10)	-	(10 887)

This grant is used to fund training of municipal staff

17.8 Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current year receipts	(295 000)	-
Conditions met - transferred to revenue	295 000	-
Conditions still to be met - remain liabilities (see note 10)	-	-

To increase and maximise job creation

17.9 Ngaka Modiri Molema District Municipality Grant - Free Basic Water

Balance unspent at beginning of year	(2 973 787)	-
Current year receipts	0	(4 984 944)
Conditions met - transferred to revenue	261 030	2 011 157
Conditions still to be met - remain liabilities (see note 10)	(2 712 757)	(2 973 787)

This grant is used to provide basic water services within the municipal area.

17.10 Ngaka Modiri Molema District Municipality - Municipal Health Service Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	(575 000)
Conditions met - transferred to revenue	-	575 000
Conditions still to be met - remain liabilities (see note 10)	-	-

This grant is used to provide municipal health services within the municipal area.

17.11 National Heritage Grant

Balance unspent at beginning of year	-	-
Current year receipts	(149 682)	(149 682)
Conditions met - transferred to revenue	149 682	149 682
Conditions still to be met - remain liabilities (see note 10)	-	-

This grant is used to develop, promote and protect the national heritage for present and future generations and to promote and protect indigenous knowledge

18 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	15 688 435	11 646 393
Performance and other bonuses	956 390	710 119
Travel, Motor vehicle, accommodation, subsistence and other allowances	1 369 947	948 305
Employee Related Costs - Contributions to UIF, Pension and Medical Aid	4 148 288	3 121 647
Housing benefits and allowances	282 402	140 965
Overtime payments	142 414	70 537
Long-Service Awards	-	-
Other employee related costs (Leave and Long-Service Awards)	797 443	368 383
Total Employee Related Costs	23 385 319	17 006 351

Included in the total Employee Related Costs above are the remuneration packages of the Municipal Manager and the Section 57 Managers as set out

REMUNERATION OF THE MUNICIPAL MANAGER

Annual Remuneration	556 985	600 523
Performance and Other Bonuses	-	-
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	138 533	144 323
Housing Benefits and allowances	1 044	-
Contributions to UIF, pension and medical aid	80 461	24 216
Other employee related costs	57 806	19 728
Total	834 828	788 789

2011)

Acting Allowance	171 784	25 001
Annual Remuneration	187 423	-
Performance- and other bonuses	21 551	-
Travel, motor car, accommodation, subsistence and other allowances	39 076	-
Housing benefits and allowances	-	-
Contributions to UIF, Medical and Pension Funds	48 119	-
Other employee related costs	13 800	-
Total	481 754	25 001

REMUNERATION OF THE CHIEF FINANCE OFFICER

Annual Remuneration	344 866	373 409
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	91 725	107 440
Contributions to UIF, pension and medical aid	81 768	37 067
Other employee related costs	57 416	12 128
Total	575 776	530 044

2012)

Acting Allowance	14 173	-
Annual Remuneration	54 944	
Performance- and other bonuses	18 489	
Travel, motor car, accommodation, subsistence and other allowances	-	
Housing benefits and allowances	-	
Contributions to UIF, Medical and Pension Funds	15 884	
Other employee related costs	-	
Total	103 490	-

REMUNERATION OF TECHNICAL SERVICES DIRECTOR

Annual Remuneration	367 690	116 384
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	104 280	48 242
Contributions to UIF, pension and medical aid	83 941	12 024
Other employee related costs		64 493
Total	555 911	241 143

JUNE 2011)

Acting Allowance	-	74 394
Total	-	74 394

REMUNERATION OF TOWN PLANNING DIRECTOR

Annual Remuneration	64 743.9	-
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	21 059.4	-
Contributions to UIF, pension and medical aid	20 455.7	-
Total	106 259	-

REMUNERATION OF CORPORATE SERVICES DIRECTOR

Annual Remuneration	286 122	348 213
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	103 840	125 216
Housing Benefits and allowances	1 566	
Contributions to UIF, pension and medical aid	82 188	56 550
Other employee related costs	41 828	12 306
Total	515 545	542 285

19 REMUNERATION OF COUNCILLORS

Executive Mayor	534 947	540 504
Speaker	449 595	626 949
Executive Committee Members	2 028 566	2 496 644
Councillors	3 854 729	2 505 795
Councillors' pension and medical aid contributions	672 788	616 404
Total Councillors' Remuneration	7 540 626	6 786 296

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-

The Executive Mayor has use of the Council owned vehicle for official duties.

20 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	5 730 611	5 170 558
Total Depreciation and Amortisation	5 730 611	5 170 558

21 CONTRACTED SERVICES

<i>Security Services</i>	2 176 411	1 667 483
<i>Cleaning</i>	-	214 037
<i>Accounting Fees</i>	1 276 121	895 716
<i>Performance Information</i>	-	143 496
<i>Valuation Services</i>	1 507 707	-
<i>Fixed asset Register</i>		<u>373 841</u>
Total	4 960 239	3 294 574

22 GENERAL EXPENSES

Included in general expenses are the following:-

Accommodation and meals	2 181 664	349 463
Advertising	484 524	172 096
Arts and Culture Project	-	28 966
Audit Fees	1 729 670	1 941 949
Awareness Campaign	-	193 195
Bank Charges	66 982	58 949
Books And Periodicals	30 637	2 556
Catering	2 243 323	402 194
Cleaning	113 735	14 061
Congress and Conferences	82 000	201 845
Contractors Fees	-	421 078
Diagnose Support	-	103 388
Disaster Management	2 703	3 425
Discretionary Fund	-	-
Disability Services	-	-
Donations	28 723	43 886
Economic Development	-	3 118
Electricity And Water	918 033	612 455
Entertainment	55 168	39 581
Events	366 168	95 757
Financial Management System Fees	136 935	286 552
Fuel And Oil	993 456	438 449
Funerals	-	-
Gardening Services	-	29 614
Hiring Of Venues	-	-
Imbizo Expenditure	-	906 905
Insurance	1 847 681	1 125 083
Integrated Development Plan	688 680	561 148
Internet Charges	66 579	29 108
Kraaipan Heritage Research	140 622	133 138
Land Restitution Programme	-	363 967
Learnership Programmes	-	20 306
Consulting Fees	577 800	-
Legal Expenses	2 654 040	87 440
Library	-	31 600
Licence Fees	-	83
Mandela Day	-	57 776
Mayoral Economic Empowerment	-	223 869
Membership Fees	73 559	126 441
Consumables	23 808	41 380
Municipal Marketing	-	226 850
Other expenses	-	80
Pastel Evolution Fees	-	282 270
Performance Information	-	175 439
Performance Management System	183 500	402 866
Pest Control	141 763	79 129
Poverty Alleviation Projects	-	739 220
Printing, Stationery And Postage	1 386 654	555 652
Professional Fees	1 461 200	98 125
Promotional Material	171 606	131 439
Clothing	1 359 260	-

Publications	56 572	92 674
Refreshments	3 736	25 621
Rental Of Equipment	732 822	121 592
Risk Management	-	131 579
SMME Empowerment	-	106 533
Spatial Development Plan	-	272 250
Strategic Planning	-	207 816
Subscription Fees	4 820	6 676
Telephone Costs	1 539 245	1 182 228
Training and courses	2 992 690	1 673 591
Transport Fees	1 821 258	-
Travel And Subsistence	410 065	1 295 046
Sports Management Support	-	877
Traffic Officers	126 245	-
Tourism	-	73 490
Waste Management	720 421	136 936
Wellness Programme	-	133 529
Womens Development	-	149 215
Workmans Compensation	-	15 176
Stipend for General Workers	26 200	-
Stipend for Ward Committees	1 313 586	-
Stipend for EPWP Workers	1 491 140	-
Stipends for Youth	31 000	306 940
Total	31 480 272	17 773 658

23 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	(779 277)	(277 722)
Total Gain / (Loss) on Sale of Assets	(779 277)	(277 722)

24 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Investment property carried at fair value	2 412 636	-
	2 412 636	-

25 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	7 227 887	15 971 676
Adjustment for:-		
Depreciation and amortisation	5 730 611	5 170 558
(Gain)/Loss on sale of assets	779 277	277 722
Profit/ (Loss) on Fair Value Adjustment	(2 412 636)	-
Bad Debts	1 953 627	1 980 651
Prior year retained earnings adjustment	-	(111 048)
Provision for Long-Service Awards	36 077	24 216
Operating surplus before working capital changes:	13 314 843	23 313 774
(Increase)/decrease in trade receivables	(1 859 893)	(1 550 662)
(Increase)/decrease in other receivables	(31 143)	(83 429)
(Increase)/decrease in inventory	(93 612)	(151 330)
(Increase)/decrease in VAT receivable	(4 692 281)	(1 789 136)
(Increase)/decrease in Prepayments	143 649	(1 571 895)
Increase/(decrease) in provision - current	846	(21 357)
Increase/(decrease) in conditional grants and receipts	2 949 955	6 305 842
Increase/(decrease) in trade payables	2 063 275	862 127
Cash generated by/(utilised in) operations	11 795 637	25 313 935

26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	24 830 661	33 286 195
Net cash and cash equivalents (net of bank overdrafts)	24 830 661	33 286 195

27 CHANGE IN ACCOUNTING POLICY

27.1 Property, Plant and Equipment

Implementation of GRAP

Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit)
(see 27.1 below)

4 200 933

Total credited/(debited) to Accumulated Surplus/(Deficit) (see 27.1 below)

- 4 200 933

27.1 ACCUMULATED SURPLUS/(DEFICIT)

Balance at beginning of the year	159 461 529	128 466 727
Fair value of Property, Plant and Equipment previously not recorded (see 27.1 above)	-	4 200 933
Rounding Error	-	10 822 192
Correction of Error - (See note 28 below)	-	10 822 192
Surplus/(deficit) for the year	7 227 887	15 971 676
	166 689 416	159 461 529

28 CORRECTION OF ERROR

During the year ended 30 June 2011, the payments made through the credit card was not accounted for.

28.1

The comparative amount has been restated as follows:

Current Assets

Cash and cash Equivalents

Credit Card (44 358)

Net effect on Statement of Financial Position

(44 358)

Expenses

General Expenses

Accommodation and meals

44 358

Net effect on Statement of Financial Performance

44 358

Net effect on Accumulated surplus opening balance

28.2 We noted that the telephone account for IEC rental debtor was not billed for May and June 2011. This has now been corrected

The comparative amount has been restated as follows:

Current Assets

Trade and other receivables from exchange transactions

2 476

Vat Receivable

(304)

Net effect on Statement of Financial Position

2 172

Revenue

Rental of facilities and equipment

-2 172

Net effect on Statement of Financial Performance

(2 172)

Net effect on Accumulated surplus opening balance

28.3 No bonus accruals were recognised in the prior financial years, this error has now been corrected

The comparative amount has been restated as follows:

Current Liabilities

Trade and other payables from exchange transactions
Net effect on Statement of Financial Position

(427 976)

(427 976)

Expenses

Employee Related Costs

Net effect on Statement of Financial Performance

-

-

Net effect on Accumulated surplus opening balance

-

Retention fees were paid out in the current year that relates to a prior year project.

28.4 The retention was not recognised in the prior year. This has now been corrected

The comparative amount has been restated as follows:

Current Liabilities

Trade and other payables

(343 562)

Non-current Assets

Property, Plant and Equipment - Cost

343 562

Property, Plant and Equipment - Accumulated Depreciation

(8 589)

Net effect on Statement of Financial Position

(8 589)

Expenses

Depreciation and Ammortisation

8 589

Net effect on Statement of Financial Performance

Net effect on Accumulated surplus opening balance

-

Inventory acquired in prior year were not recognised as inventory (but as expenditure).

28.5

The comparative amount has been restated as follows:

Current Assets

Inventory

151 344

Net effect on Statement of Financial Position

151 344

Expenses

General Expenses

Printing, Stationery And Postage

Net effect on Statement of Financial Performance

-151 344

-

Net effect on Accumulated surplus opening balance

-

An unspent grant from 2010/11 from NMMDM was misallocated to a different unspent grant vote. The effect was that the revenue was not recognised when the conditions were met.

28.6

The comparative amount has been restated as follows:

Current Liabilities

Unspent conditional grants - Note 16.3

71 475

Unspent conditional grants - Note 16.10

(71 475)

Net effect on Statement of Financial Position

-

Revenue

Government Grants and Subsidies

Net effect on Statement of Financial Performance

(71 475)

(71 475)

Net effect on Accumulated surplus opening balance

28.7 Expenses incurred in June 2011 on the Wesbank petrol card was not recorded in the previous financial year.

The comparative amount has been restated as follows:

Cash and cash equivalents

Wesbank Petrol Card	(71 244)
---------------------	----------

Current Assets

VAT Receivable	702
----------------	-----

Net effect on Statement of Financial Position	(70 541)
---	----------

Expenses

<i>Repairs and Maintenance</i>	70 541
--------------------------------	--------

Net effect on Statement of Financial Performance	70 541
--	--------

Net effect on Accumulated surplus opening balance	
---	--

28.8 Inventory purchases was June 2011 but not delivered at year-end. The inventory was incorrectly expensed rather than being recognised as a prepayment.

The comparative amount has been restated as follows:

Current Assets

Prepayment	128 075
------------	---------

Net effect on Statement of Financial Position	128 075
---	---------

Expenses

<i>Printing, Stationery and Postage</i>	(128 075)
---	-----------

Net effect on Statement of Financial Performance	(128 075)
--	-----------

Net effect on Accumulated surplus opening balance	
---	--

28.9 We noted that the opening balance on Accumulated Depreciation on Office Equipment does not agree to the prior year fixed asset register.

The comparative amount has been restated as follows:

Non-Current Assets

Accumulated Depreciation	(2 278)
--------------------------	---------

Net effect on Statement of Financial Position	(2 278)
---	---------

Expenses

<i>Depreciation and Ammortisation</i>	2 278
---------------------------------------	-------

Net effect on Statement of Financial Performance	2 278
--	-------

Net effect on Accumulated surplus opening balance	
---	--

28.10 Rates and taxes erroneously charged on communal property in prior year.

The comparative amount has been restated as follows:

Current Assets

Trade and other receivables from exchange transactions	(172 539)
--	-----------

Impairment of receivables	172 539
---------------------------	---------

Net effect on Statement of Financial Position	-
---	---

Revenue

<i>Property Rates</i>	172 539
-----------------------	---------

<u>Expenses</u>	
<i>Bad debts</i>	-172 539
Net effect on Statement of Financial Performance	-
Net effect on Accumulated surplus opening balance	-

The Setlhwatlwe Heritage Site was incorrectly classified as a heritage asset in the prior year, but this is just a normal building with no historical significance.

28.11 Therefore the asset has been reclassified to community assets and depreciated.

The comparative amount has been restated as follows:

<u>Non-current assets</u>	
Property, plant and equipment - Heritage assets (Increase/(Decrease))	(1 000 000)
Property, plant and equipment - Community Assets (Increase/(Decrease))	1 000 000

<u>Current Assets</u>	
Property, plant and equipment	(111 142)
Net effect on Statement of Financial Position	(111 142)

<u>Expenses</u>	
<i>Depreciation and Ammortisation</i>	33 333
Net effect on Statement of Financial Performance	33 333
Net effect on Accumulated surplus opening balance	

28.12 We noted that deposits from prior years were not allocated to revenue.

The comparative amount has been restated as follows:

<u>Current Liabilities</u>	
Trade and other payables from exchange transactions	30 504
Trade and other receivables from exchange transactions	(23 009)
Net effect on Statement of Financial Position	7 495

<u>Revenue</u>	
<i>Other Income</i>	(7 495)
Net effect on Statement of Financial Performance	(7 495)
Net effect on Accumulated surplus opening balance	

28.13 A debtor was not recognised on a petty cash purchase made by an employee in the prior year not supported. This has now been corrected

The comparative amount has been restated as follows:

<u>Current Assets</u>	
Trade and other receivables from exchange transactions	150
Net effect on Statement of Financial Position	150

<u>Expenses</u>	
<u>General Expenses</u>	
<i>Catering</i>	(150)
Net effect on Statement of Financial Performance	(150)
Net effect on Accumulated surplus opening balance	-

28.14 Payments were made in the current year that relates to prior year expenses, for which the creditor was not provided for

The comparative amount has been restated as follows:

Current Liabilities

Trade and other payables from exchange transactions
Net effect on Statement of Financial Position

(38 638)
(38 638)

Expenses

General Expenses
Advertisements
Electricity and Water
Licence Fees
Rental of Equipment
Printing, Stationary and Postage
Telephone Costs
Waste Management

8 527
3 796
8 514
6 030
5 045
3 813
2 913

Net effect on Statement of Financial Performance

38 638

Net effect on Accumulated surplus opening balance

-

28.15 Retention Fees on Mareetsane Community Library was incorrectly recognised in the prior year

The comparative amount has been restated as follows:

Current Liabilities

Trade and other payables from exchange transactions

10 350

Non-current Assets

Property, Plant and Equipment

(10 350)

Net effect on Statement of Financial Position

-

Net effect on Accumulated surplus opening balance

-

28.16 The Fair Value on Investment Property was incorrectly calculated by a Property Valuer in the prior year. This has now been corrected.

The comparative amount has been restated as follows: Non-

current Assets

Investment Properties

11 700 000

Net effect on Statement of Financial Position

11 700 000

Other

Profit and Loss on Fair Value Adjustment

800 000

Net effect on Statement of Financial Performance

800 000

Net effect on Accumulated surplus opening balance

28.17 No provision for long service awards was recognised in the prior year. This has now been corrected

The comparative amount has been restated as follows:

Current Liabilities

Provision for Long Service Awards

(9 764)

Non-Current Liabilities

Provision for Long Service Awards

(416 500)

Net effect on Statement of Financial Position

(426 264)

Expenses

Employee Related Costs

Net effect on Statement of Financial Performance

426 264

Net effect on Accumulated surplus opening balance

The Provision for the Rehabilitation for the landfill site was disclosed as a current provision in the prior year, rather than non-current. This has now been corrected:

28.18	provision in the prior year, rather than non-current. This has now been corrected:	
	The comparative amount has been restated as follows:	
	<i>Current Liabilities</i>	
	Current Provisions	
	Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	914 187
	<i>Non-current Liabilities</i>	
	Non-current provisions	
	Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	(914 187)
	Net effect on Statement of Financial Position	-
	Net effect on Accumulated surplus opening balance	

Water tanks and stands acquired in the prior year were disclosed as part of Property, plant and equipment - other assets. It should have been classified as Property, plant and equipment - Infrastructure. This has now been corrected. The effect of the restatement is as follows:

28.19

Property, plant and equipment - Infrastructure: This has now been corrected. The effect of the restatement is as follows:

Non-current Assets	
Property, plant and Equipment - Other Assets (Decrease)/Increase	(126 942)
Property, plant and Equipment - Infrastructure (Decrease)/Increase	126 942
<hr/>	
Net effect on Statement of Financial Position	-
<hr/>	
Net effect on Accumulated surplus opening balance	

The accrued leave was disclosed as a provision in the prior year, rather than accruals as required by GRAP 19. This has now been redisclosed. The effect of the restatement is as follows:

28.20

accruals as required by IAS 19. This has now been restated. The effect of the restatement is as follows:

Current Assets	
Current Provisions ((Increase)/Decrease)	1 188 121
Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	(1 188 121)
Net effect on Statement of Financial Position	-
Net effect on Accumulated surplus opening balance	-
TOTAL CORRECTION OF ERROR (Accumulated Surplus/(Deficit) Opening Balance)	

29 CHANGE IN ESTIMATE

The useful life and conditions of property, plant and equipment are reviewed on an annual basis by management. In the current period the condition of some of these assets deteriorated more than initially estimated. Management have revised their estimate based on the adjusted condition of these assets. The effect of this revision has increased/(decreased) the depreciation charges for the period by:

99 977 368 475

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

30 DISALLOWED

30.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful exp.

Opening balance -	-	2 245
Fruitless and wasteful expenditure current year	22 952	634
Condoned or written off by Council	(22 952)	(2 879)
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Disciplinary steps/criminal proceedings

The expenditure was incurred due to traffic fines and interest penalties. The expenditure is not recoverable and was therefore condoned by Council and no disciplinary steps were taken.

30.2 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance -	21 223 940	10 581 393
Irregular expenditure current year	22 993 599	20 572 777
Condoned or written off by Council	(34 284 913)	(9 930 230)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	9 932 626	21 223 940

Incident & Disciplinary steps/criminal proceedings

Procurement not in line with the Supply Chain Management Regulations. The expenditures are still under investigation and once the results are obtained suitable action will be taken against the guilty parties. The expenditure was condoned by Council

30.3 Unauthorised Expenditure

Reconciliation of Unauthorised expenditure		
Opening balance -	170 954	-
Unauthorised expenditure current year	-	170 954
Condoned or written off by Council	(170 954)	-
Transfer to receivables for recovery – not condoned	-	-
Unauthorised expenditure awaiting condonement	-	170 954

Incident & Disciplinary steps/criminal proceedings

Contracted Amount Overspent on Madibogo High Mast Lights Phase 1, Ramabesa Community Hall and Makgobistad Community Library. The over expenditure is not recoverable and was therefore condoned by Council. No disciplinary steps were taken.

The over expenditure on the budget is still under investigation and no disciplinary steps have been taken to date

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT

31 ACT

31.1 Audit fees

Opening balance	-	-
Current year audit fee	1 729 670	1 941 949
Amount paid - current year	(1 729 670)	(1 941 949)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

31.2 VAT

VAT input receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

31.3 PAYE, UIF and SDL

Opening balance	3 680	48 431
Current year movement		
Current year payroll deductions	(4 350 987)	(3 142 880)

Amount paid - current year	4 358 943	3 098 129
Amount paid - previous years		
Balance unpaid (included in receivables)	11 636	3 680

31.4 Pension and Medical Aid Deductions

Opening balance	71 358	(21 252)
Movement - Current year		
Current year payroll deductions and Council Contributions	(6 708 582)	(5 401 190)
Amount paid - current year	6 736 288	5 493 799
Amount paid - previous years		
Balance unpaid (included in payables)	99 064	71 358

31.5 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No non-compliance with Chapter 11 of the MFMA

32 CAPITAL COMMITMENTS

32.1 Commitments in respect of capital expenditure

- Approved and contracted for	13 518 934	9 047 644
Infrastructure and Community Assets	13 518 934	9 047 644
- Approved and not yet contracted for	496 926	-
Infrastructure and Community Assets	496 926	-
Total		
This expenditure will be financed from:		
- Government Grants	14 015 860	9 047 644
	14 015 860	9 047 644

33 OPERATING LEASES

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	18 090	67 224
In the second to fifth year inclusive		56 020
After five years		
Total	18 090	123 244

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed. The initial lease agreement expired by end of May 2012 and the lease was further extended for 4 months ending 30 September 2012.

34 EVENTS AFTER REPORTING DATE

at 30 June 2012

No material events occurred after reporting date that may have an impact on the financial statements

at 30 June 2011

Non-adjusting events

Fire Damage due to a service delivery protest

In August 2011 a major strike took place at Logageng Community Hall due to a service delivery protest. Material fire damage was incurred, but the extent of the damage has not been determined at financial statement date.

The carrying value of the buildings damaged at year is as follows:

Logageng Community Hall	2 513 570.78	
Madibogo Pan Community Library Guard House	4 787.67	
	-	2 518 358.45

35 RETIREMENT BENEFIT INFORMATION

35.1 Defined contribution plan

An amount of R3,170,343 (2011: R2,552,024) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

36 CONTINGENT LIABILITY

36.1 Legal Claim	900 000	1 041 023
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A legal claim was instituted against the Municipality by a previous employee and a service providers for services rendered and not paid. The municipalities lawyers are defending the matter in court and are of the opinion that the court will find in favour of the Municipality, however there are uncertainties of the outflow of resources. As at 30 June 2012 the municipality does not expect any reimbursement

37 RELATED PARTIES

Members of key management - Section 57

MR G Lekomanyane - Municipal Manager	<i>No related party transactions</i>
Mr PE Motoko - Municipal Manager (Dismissed)	<i>No related party transactions</i>
MR OA Monchusi - Manager Corporate (Contract Expired)	<i>No related party transactions</i>
MS GS Sepeng - Corporate Service: Director	<i>No related party transactions</i>
MRS NR Gaepe - Chief Financial Officer (Contract Expired)	<i>No related party transactions</i>
MR GC Mabilo - Technical Services: Director	<i>No related party transactions</i>
MR TN Kopele - Office of the MM: Manager	<i>No related party transactions</i>

Declarations of interest was circulated to all employee of the municipality and a CIPRO search performed.
Compensation to councillors and other key management (refer to note 18 & 19)

Payments to family members of persons in service of the municipality

Mr KK Nthutang (Wife - Sylvia Tebogo)	31 200	-
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38 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

38.1 The useful lives and residual values of property, plant, and equipment

In accordance with GRAP 17.61 the municipality implemented an accounting policy to ensure that the residual value and the useful life of other assets are reviewed at least at each reporting date
The residual value of infrastructure and community assets are not reviewed as they are specialized in nature and are expected to be used beyond their useful life

The carrying value of assets at year end, subject to the annual review is:	127 718 921	114 730 940
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38.2 Provision for doubtful debts

Management has an accounting policy in place to provide for the bad debts.
The policy requires individual assessment of long outstanding debtors

The carrying value of the provision for bad debt is:	4 340 288	2 386 661
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38.3 Provision for rehabilitation of landfill site

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. De-escalation of the current estimated costs in order to arrive at estimated costs for the previous financial years, were calculated using the average Consumer Price Indices and inflation rates (July to June per financial year) from SASTATS

The closing balance of the provision is:	527 351	497 687
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39 RISK MANAGEMENT

39.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality does not render any services (other than rates and taxes) to the community and therefore the credit risk exposure is assessed as low.

Other receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Current Account - First National Bank	24 893 328	33 238 777
Trade and other receivables	4 466 613	2 606 720

These balances represent the maximum exposure to credit risk.

39.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Because of low levels of creditors and no long term liabilities the liquidity risk of the municipality is assessed as low.

39.3 Interest rate risk

As the municipality has no interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipalities assessment of interest rate risk is assessed as low.

RESTATEMENT OF COMPARATIVE INFORMATION

The accrued leave was disclosed as a provision in the prior year, rather than accruals as required by GRAP 19. This has now been redisclosed. The effect of the restatement is as follows:

.1

Current Assets	
Current Provisions ((Increase)/Decrease)	1 188 121
Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	(1 188 121)

No Bonus accrual was disclosed in the prior financial years, this has now been corrected. The effect of the restatement is as follows:

.2

Current Liabilities	
Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	-

The Provision for the Rehabilitation for the landfill site was disclosed as a current provision in the prior year, rather than non-current. This has now been corrected. The effect of the restatement is as follows:

.3

Current Liabilities	
Current Provisions	
Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	914 187
Non-current Liabilities	
Non-current provisions	
Trade and Other Payables from Exchange Transactions ((Increase)/Decrease)	(914 187)

The Setlhwatlhwe Heritage Site was incorreccted classified as a heritage asset in the prior year, but this is just a normal building with no historical significance. Therefore the asset has been reclassified to community assets and are now depreciated. The effect of the restatement is as follows:

.4

Non-current assets	
Property, plant and equipment - Heritage assets (Increase/(Decrease))	(1 000 000)
Property, plant and equipment - Community Assets (Increase/(Decrease))	1 000 000

Water tanks and stands acquired in the prior year were disclosed as part of Property, plant and equipment - other assets. It should have been classified as Property, plant and equipment - Infrastructure. This has now been corrected. The effect of the restatement is as follows:

.5

Non-current Assets	
Property, plant and Equipment - Other Assets (Decrease)/Increase	(126 942)
Property, plant and Equipment - Infrastructure (Decrease)/Increase	126 942

40 COMPARISON WITH THE BUDGET

		30 JUNE 2012	
	<u>Actual Expenditure</u>	<u>Budget</u>	<u>Unauthorised Expenditure</u>
Office of the Mayor and Council	9 679 106	7 528 902	2 150 203
Office of the Speaker	11 513 418	11 803 579	-
Office of the Municipal Manager	10 425 933	9 527 149	898 784
Budget and Treasury	10 638 681	13 398 335	-
Corporate Services	18 666 496	15 389 362	3 277 134
Planning and Development	9 572 064	7 791 296	1 780 768
Community Services	7 128 159	7 725 572	-
Total Expenditure	77 623 856	73 164 195	8 106 889

Please refer to Annexure D for additional information on the the Municipality's actual financial performance with the budget.

CHAPTER 7: REMEDIAL ACTIONS TO ADDRESS AUDIT REPORT ISSUES

FINDING	DETAILS OF KEY ISSUE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	IMPLEMENTATION PERIOD
1. Contractors CIDB Grading not sufficient - COMM 6	<p>Paragraph 21(3) Construction Industry Development Board Regulation (as amended on 14 November 2008) states that "An employer who is an organ of state, who awards a contract to an emerging enterprise who has a contractor grading designation lower than that required for the contract as contemplated in Part IV of these Regulations, must on the approved form notify the CIDB of the nature of the financial or management support that is provided to the contractor concerned as contemplated in that Part and the benefit derived from such support in the development of that contractor":</p> <p>The municipality awarded construction contracts to the suppliers who have a contractor grading designation lower than that required for the Tender contract values awarded to them.</p>	Compliance with CIDB procurement processes when acquiring services-checklist to be developed for compliance	MM, S57 Managers & SCM Unit	31-Jan-13
2. Non –compliance with SCM regulation, policy and Treasury regulation –findings 2,4,7,9	Municipal Supply Chain Regulations GNR.868 of May 2005 section 19 (a) states that ' A supply Chain policy must specify that Goods and services with a transaction value of more than R 200 000 or long-term contracts are to be procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2)'.	Management to ensure that all the requirements are met when deviating from SCM regulations. Checklist to be developed to address compliance	MM, S57 Managers & SCM Unit	31-Jan-13
3. Declaration of Interest form not completed - COMM 6(finding 8 &10)	Declaration of interest was not submitted by some suppliers who were awarded tenders on quotation basis.	<p>Management to ensure Supply Chain policies and procedures are adhered to in all instances of purchases of goods and services for the municipality -</p> <p>The normal conflict of interest MBD4 form was to be included when requesting quotations</p>	MM, S57 Managers & SCM Unit	31-Jan-13
4. Internal audit function was not functioning throughout the entire financial year-COMM 3	The Internal Audit function was established during the year	The internal audit function will be fully capacitated to ensure that functions are carried out within its responsibilities including ensuring reliable financial and operational reporting.	MM	Functional since May 2012
5. Conditional grants: Evaluation	<p>Act section 12(6) requires that Within two months after the end of the financial year the municipality must :</p> <p>a) evaluate its performance in respect of programmes funded by the allocation and</p> <p>b) submit the evaluation to the transferring national officer.</p>	Management to ensure that controls are implemented to ensure adherence to laws and legislation	MM, CFO & Director Technical	31-Aug-13
6. Projects implementation plans for 2011/2012 and 2012/13 not submitted with prescribed time-COMM19	6.1. The municipality did not submit by 02 August 2011, all project registration forms, for projects to be implemented in 2011/12, to the provincial department of local government as required by DoRA Grant Framework, (Gazette no 34280).	Management to ensure that controls are implemented to ensure adherence to laws and legislation	MM, CFO & Director Technical	25-Oct-13

FINDING	DETAILS OF KEY ISSUE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	IMPLEMENTATION PERIOD
	6.2. The municipality did not submit by 28 October 2011, its detailed project implementation plan, including the list of projects to be implemented in 2012/13 financial year, to the national department (CoGTA) as required by DoRA Grant Framework, (Gazette no 34280).			
7. No audit committee-COMM 3	An audit committee was not in place, as required by section 166(1) of the Municipal Finance and Management Act. The audit committee was only established by the municipality after year end on 23 August 2012 as per council resolution 39/2012.	To establish the committee as per S166 of MFMA	MM	01-Aug-12
8. Submission of MFMA implementation plan-COMM19	Ratlou Local municipality did not submit the MFMA implementation plans to National Treasury to address weaknesses in financial management as required by DoRA Grant Framework, (Gazette no 34280)	Management to develop the compliance checklist to address compliance issues	MM, S57 Managers	28-Feb-13
9. Non Compliance land fill sites - COMM 17	The identified landfill sites or dumping areas at Ratlou Local Municipality are not permitted in terms of Section 45 of the NEMWA, 2008 (Act 59 of 2008).	1. Management to ensure that their landfill sites are permitted and comply with the permit conditions and other legislative requirements. Sites closed should also be rehabilitated and licensed for closure in terms of Section 45 of the NEMWA	DD: Community Services	2013/06/30 Rehabilitation
	The NEMWA, defines in chapter 5 the licensing requirements of waste management activities, whilst chapter 7 deals with compliance and enforcement. Chapter 7, paragraph 68 specifically indicates penalties for offences listed in paragraph 67. No permits or permit applications could be submitted for some dumping sites / areas:	2. Management to ensure that operational activities on their waste landfill sites and areas comply with all the legislative- and related requirements.		2014/03/31 Licencing
10. PY error - COMM8&14	Entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.	Management to ensure that GRAP 3 requirements are met.	DD: Expenditure & CFO	28 February 2013 Monthly Journals
	The prior year adjustments were incorrectly adjusted against the accumulated surplus and not the prior year comparative figure			
11. Receivables: Interest not levied-COMM 4	According Section 64 (2)(g) of MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework.	Management should implement a process to evaluate long outstanding debt and charge interest on long outstanding debt as required by the	DD: Revenue	28-Feb-13

FINDING	DETAILS OF KEY ISSUE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	IMPLEMENTATION PERIOD
12. Insufficient quotations for expenses <200 000 - COMM 5	SCM reg. 12(1)(c) & 17(a) states that the written price quotations should be obtained from at least three different prospective suppliers for procurement of goods and services between the value of R30 000 and R200 000.	Management should ensure that the Supply Chain regulations are adhered to when procuring goods and services.	DD: Demand & Acquisition	31-Jan-13
13. Quotations not attached or insufficient >200 000 - COMM 14	Ratlou Local Municipality's SCM Policy paragraph 7.2.1.1 states that 'The SCM Unit shall, by Management should ensure that all supporting documents relating to the expense is provided notice published in the press in newspapers circulating in the Municipality, and on the Municipality's website invite bids or leaflets distributed to respective wards through councillors for procurements which involves or is likely to involve an estimated amount exceeding R200 000 (VAT included) or any such greater amount as may be determined by the Municipality from time to time'.	Management should ensure that all supporting documents relating to the expense is provided.	DD: Demand & Acquisition	31-Jan-13
14. AOPI:Reports:oversight report on 2010/2011 annual report-COMM 17	MFMA section 129(3) requires the accounting officer to make public the oversight report within seven days of its adoption.	The senior management, Municipal manager and the mayor of the municipality should implement means of internal controls by developing a checklist of the critical compliance issues relating to planning to ensure compliance with all the relevant legislatures relevant to the planning.	MM ; DD Communication,	15-Feb-15
	MFMA section 132(a) and (b) further requires the accounting officer of a municipality to submit the annual report for the municipality and each municipal entity and oversight report, to the provincial legislature within seven days after adoption of the oversight report by the council.	Management must ensure that an Internal Audit of performance information is performed and all the information/reports necessary to facilitate the audit is properly managed and provided for audit purposes.	DD IT	
15. Performance audit-COMM 4	Section 45 (a) of Municipal Systems Act states that 'The results of performance management in terms of section 41(1) (c) must be audited - (a) as part of the municipality's internal audit process.	Management should further establish performance audit committee or make use of the performance audit committee of the district municipality in whose area it falls in to ensure that the performance audit committee's responsibilities are carried out.	DD: Internal Audit	31-Mar-13
16. AOPI:Comments on the draft IDP - COMM 14	GRN.796 of 24 August 2001-Local Government: Municipal Planning and Performance Management Regulations regulation . 15 (3) states that: 'municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan is submitted to the council for adoption.	The senior management, Municipal manager and the mayor of the municipality should implement means of internal controls by developing a checklist of the critical compliance issues relating to planning to ensure compliance with all the relevant legislatures relevant to the planning.	Director: Town Planning	31-Jan-13

FINDING	DETAILS OF KEY ISSUE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	IMPLEMENTATION PERIOD
17. AOPI: Adoption of PMIS-COMM 16	Local Government: Municipal Planning and Performance Management Regulations; (GNR. 796 of 24 August 2011); section 8 requires that A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.	The senior management, Municipal manager and the mayor of the municipality should implement means of internal controls by developing a checklist of the critical compliance issues relating to planning to ensure compliance with all the relevant legislatures relevant to the planning.	Director: Town Planning	31-Jan-13
18. AFS General Errors - Comm 12	MFMA section 95 states that "The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure—	Financial Statements submitted for audit purposes should be reviewed by the management and audit committee to ensure accuracy and completeness of the information recorded and disclosed in the AFS	CFO	28-Feb-13

CHAPTER 8: LOCAL ECONOMIC DEVELOPMENT

8.1. Introduction

Local Economic Development is about efforts undertaken by local people using mainly local resources, skills and ideas to stimulate economic growth and development.

They do so in order to create jobs, alleviate poverty and to redistribute resources and opportunities among local people.

As indicated on the section Municipal Context section, agriculture, forestry and fishing has declined over time in Ratlou Local Municipality. This is also despite a number of pending land restitution cases that have been finalized.

Agriculture is the lead and the most important economic sector in the municipality and is divided into the formal and organized group of mostly white commercial farmers and the black subsistence farmers who either belong to the North West Agricultural Union or do not belong to any organized structure at all. Crop farming is largely maize, sunflower and peanut while livestock is cattle, goats and sheep.

Construction remains somewhat steady with a slight improvement, whilst mining/quarrying has gone down because of the formalization of the mining activities over time. It is still to be determined how much labour force is absorbed by the mine.

The unemployment figures are not readily verifiable because it basically means that a larger population of economically active community is not properly traced and interacted with.

8.2. Performance Highlights of Local Economic and Social Development

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Promote and support local economic development and agriculture	Number of SMMEs Benefited from MIG Infrastructure projects	New	100% by 30 June 2012	A total no: of 33 projects were implemented and 24 SMMEs benefited the total number of 30 infrastructure projects implemented	None	None
	Budget (R)	New	R18 073 000	R16 085 433.90	Budget not fully utilized as the other projects are still ongoing due to difficulties experienced.	None
	% development of the Municipal Marketing Tourism Profile	New	100% by 31 December 2011	The Tourism Profile was not development on the targeted date of 31 December 2011; however the target was achieved on the 04 April 2012 by SWM Holdings.	The delay was due to internal incapacity to develop the terms of references that were clear and specific to the nature of the tender which resulted in the delay of procurement system.	The profile was developed on the 04 April 2012 by SWM Holdings
	Budget (R)	New	R 80 000	R49 500.00	The revision of the specifications of the project resulted in lesser costs incurred than anticipated	None
	% development of the Setlagole Complex Business Plan	New	100% by 31 March 2012	The Setlagole Complex Business Plan was not achieved as per planned target date; however the target was achieved on the 01 June 2012 by Thaba Consulting Engineers	The delay was due to internal incapacity to develop the terms of references that were clear and specific to the nature of the tender which resulted in the delay of procurement system.	The plan was developed in the fourth quarter by 1 June 2012
	Budget (R)	R 0	R 300 000	R534 660.00	The revision of the specifications of the project resulted in more costs incurred than anticipated	None

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Promote and support local economic development and agriculture	% implementation and adoption of the Local Economic Development Strategy and Tourism Promotion Plan	New	100% by 31 January 2012	<p>The Local Economic Development Strategy was not developed as per planned target; however the target was achieved on the 03 April 2012 by Lenkamile Trading Enterprise and the document will be presented to council on the 15 August 2012, which is the next council date.</p> <p>The Tourism Promotion Plan was not developed.</p>	The delay was due to internal incapacity to develop the terms of references that were clear and specific to the nature of the tender which resulted in the delay of the procurement system.	To ensure that the LED strategy forms part of the agenda of the councilor meeting to be held in August 2012 so that it can be adopted and implemented. Whereas the Tourism Promotion Plan has been planned to be developed by the next financial year.
	Budget (R)	New	R 400 000	390 108.00	The revision of the specifications of the project resulted in less costs incurred than anticipated	None
	% establishment of the Agriculture and Land Development sub-unit	District Agriculture master Plan	100% by 31 March 2012	<p>100 % establishment of the Agriculture sub-unit</p> <p>* the appointment of the Agriculture Assistant Director</p>	N/A	N/A
	Budget (R)	R 0	R32 727.50	R32 727.50	N/A	N/A
	% development of the SMMEs and Support Strategy	New	100% by 31 March 2012	SMMEs and Support Strategy was not achieved as per planned target, however the target was achieved on the 03 April 2012 and it formed part of the LED strategy	The delay was due to internal incapacity to develop the terms of references that were clear and specific to the nature of the tender which resulted in the delay of the procurement system.	To ensure that the SMMEs and Support Strategy forms part of the agenda of the councilor meeting to be held in August 2012 so that it can be adopted and implemented.
	Budget (R)	N/A	R 400 000	R 0		None
	Number of Jobs creation through LED, capital projects and EPWP initiatives	New	200	<p>The EPWP grant was received during the month of March 2012 which resulted in the planned targets not achieved in the first and second quarters.</p> <p>In March 2012 a total no: of 624 jobs were created.</p>	The municipality needed to utilize the grant before end of the financial year, hence more jobs were created.	None
	Budget (R)	New	R1 335 760	R1 491 140	Refer above	

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Promote and support local economic development and agriculture	Number of training programmes to support SMMEs	New	4	Four (4) trainings were conducted to support SMME's projects.	N/A	N/A
	Budget (R)	New	R 300 000	R 368 649.47	The training cost more than anticipated	The request quotations during the setting of the targets
	% development of the Agriculture Master Plan	New	100% by 30 June 2012	The Agriculture Master Plan was not developed	According to the Department of Conservation, Environment and Rural Development Agriculture Master Plan, Ngaka Modiri Molema District was supposed to develop a plan for its local municipalities and that was not achieved.	The municipality will structure its plan according to the departmental master plan in order to achieve its objectives on development the agriculture unit.
	Budget (R)	N/A	N/A	N/A	N/A	N/A
	No of reports on the implementation of Social Labour Plan (SLP)	New	4	<p>4 reports were compiled for the implementation of the Social Labour Plan to support LED initiatives on:</p> <ol style="list-style-type: none"> 1. Internship programme; 2. Community Skills Development and SMME's facility centre 3. Kraaipan Sewing project 4. An Education Infrastructure program 	N/A	N/A
	Budget (R)	N/A	N/A	N/A	N/A	N/A
				<p>The following 12 cooperatives & NGO projects were funded through the LED support;</p> <p>1. <u>Social projects (NGO)</u></p> <p>* Kraaipan ICT</p> <p>* Tshidilamolomo ICT</p> <p>* Moshawane Youth Cooperative</p> <p>* Mareetane Woman Cooperative</p>		
						The LED unit developed an

Objectives	Performance Indicator	Baseline	Annual Target	Actual Performance	Reasons for variance (under / over performance)	Corrective measures
Promote and support local economic development and agriculture	Number of cooperatives (NGO's) supported through funding	New	12	*Matsogapele Youth Arts *Trust Maruping <u>2. Economic project:</u> * Thari ya Dikhutsana Primary Cooperative * Itireleng Foodplot Cooperative * Mphatlhalatsane Poultry Farming Cooperative * Kraaipan Bricks *Dimakatso project *Tshwaraganang Sewing Co-operative	The delay was due to cooperatives not meeting the requirements of being funded.	integrated plan which included assisting cooperatives with opening of bank accounts and the refinement of business plans to meet the requirements for funding
	Budget (R)	New	R450 000	R1 177 150	The refinement of business plans resulted in the projects being funded with more budget than anticipated	The cooperatives have been assisted and funded.